# Annual Report 2010

ANADOLU HAYAT
EMEKLİLİK

# Contents

## Private Pension Funds

TRY **2,652** million

Based on Pension Monitoring
Center's data as of 07 January 2011

Private Pension Participants

507 thousand

Based on Pension Monitoring Center's data as of 07 January 2011

# Anadolu Hayat Emeklilik in Brief

## “Service first” since 1990 to date

Founded as Turkey’s first life insurance company in 1990, Anadolu Hayat Sigorta was transformed and reorganized into a private pension company in 2003 upon establishment of the private pension system in Turkey, and started operating under the company name Anadolu Hayat Emeklilik A.Ş.

Headquartered in İstanbul, Anadolu Hayat Emeklilik provides high value-added products and services to its customers via regional offices in İstanbul (2), Ankara, Adana, Bursa and İzmir, a branch in the Turkish Republic of Northern Cyprus, bank branches serving as the Company’s agencies, direct sales force, and 300 agencies.

Anadolu Hayat Emeklilik boasts being the company that generated the highest amount of funds on the basis of life insurance and private pension system aggregate in the sector it operates.

A subsidiary of Türkiye İş Bankası A.Ş. (İşbank), Anadolu Hayat Emeklilik is the first and only publicly traded pension company in Turkey. The Company’s shares are quoted on the İstanbul Stock Exchange (ISE) National Market under the symbol ANHYT.

## Our vision

To be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people.

## Our mission

To develop and to nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones; to offer financial solutions that ease people’s doubts about the future and enhance the quality of their lives; and to contribute to the development of the national economy by creating long-term financial resources.

## Our corporate strategy

- Contribute to the stable growth of the industry by developing and maintaining a diverse range of products capable of satisfying customers’ needs and demands in terms of life insurance and private pensions.
- Increase our market share by combining our success in offering innovative products and creating value through an extensive service network.
- Provide our customers with financial security and enable them to save up for their retirement by taking advantage of the Company’s experience and effectiveness in the industry to achieve superior performance in the management of pension funds.
- Maintain a sustainable level of profitability that is above the market average.

# Turkey's first life insurance company

(31 May 1990)

# Milestones

### 1990
- Anadolu Hayat Sigorta A.Ş. was founded as Turkey's first life insurance company taking over the life insurance activities carried out by Anadolu Anonim Türk Sigorta Şirketi.

### 1991
- Regional branches were opened in Ankara, Bursa, Adana and İzmir.

### 1992
- Comprehensive Health Insurance policies were started to be issued.

### 1995
- First pay-outs on maturity were made in the "Insurance of the Future".

### 1998
- Ankara Branch Office was renamed to Central Anatolia Regional Office.

### 1999
- Lefkoşa Branch was set up in the Turkish Republic of Northern Cyprus to conduct life insurance activities. Sirkeci and Kadıköy branches were opened.

### 2000
- Anadolu Hayat Sigorta A.Ş. became the first and only life insurance company whose shares are publicly traded. The Company was relocated to İş Towers in December which also houses İşbank subsidiaries.

### 2001
- "Life for everyone" policy, Turkey's first-ever insurance coverage without any age limitation and without requiring any health conditions was introduced.
- Bursa, Adana, İzmir and İstanbul branches were reorganized as Marmara, South Anatolia, Aegean, İstanbul 1st and İstanbul 2nd regional offices.

### 2002
- Upon publication of the "Private Pension Savings and Investment System Law", an application was filed to be transformed into a private pension company in order to operate in this field.

### 2003
- Upon the transformation permission from the Republic of Turkey Prime Ministry Undersecretariat of Treasury, the Company received its license.
- The first private pension contract was issued on October 27.

### 2004
- Undersigning yet another first, the Company introduced the "Pension Plan for Housewives" that provides income for housewives without social security and supplementary income in older ages.
- According to legislation, the Company's health insurance portfolio and activities were transferred to Anadolu Anonim Türk Sigorta Şirketi.
- Online payment of private pension contributions and life insurance premiums via the internet was enabled.

### 2005
- Bancassurance activities carried out with the parent company İşbank were expanded by agency agreements with Türk Ekonomi Bankası A.Ş. (TEB) and HSBC Bank A.Ş. (HSBC).

### 2006
- With the support of the Ministry of National Education, the Company initiated the social responsibility project "Girls: The Insurance of our Future" in cooperation with the Association for Supporting Contemporary Living (ÇYDD).
- Bancassurance activities were expanded through agency agreements with Anadolubank A.Ş. and TSKB A.Ş.

### 2007
- First pensioners of the private pension system were entitled to pension benefits.
- The Company website was renovated enabling online transactions for private pension accounts.
- An agency agreement was signed with Bank Pozitif A.Ş.
- A photography contest titled "Shots from Life as Seen by Women" was organized.

### 2008
- PPS+ packages were started to be sold covering either one of "Life Insurance with Serious Illness Cover", "Annual Life Insurance" or "Life for Everyone Insurance" products in addition to the Private Pension Plan.
- "Mobile Signature" implementation was put into life, making Anadolu Hayat Emeklilik the first and only insurance and pension company enabling customers to get a private pension plan using the internet or their cell phones.
- A new variant was added to life insurance policies issued in connection with loans, and Loan Support Insurance incorporating unemployment cover was added to its product range.
- Anadolu Hayat Emeklilik became the first pension company to hit the 300,000 participants mark under the private pension system.
- The Company exceeded TRY 1 billion in total funds.
- The competition "Young Ideas by Owner" was launched, thereby enabling university students' idea conception related to the industry.
- "Shots from Life as Seen by Women" photography contest has been held for the second time.

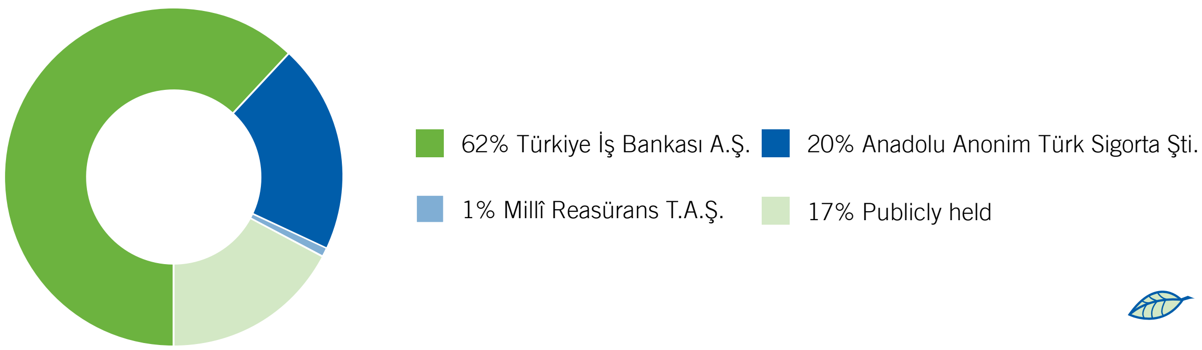
### 2009
- The Company became the first pension company to reach 400,000 participants in the private pension system (PPS).
- The Company became a member of the Insurance Arbitration System.
- Targeting credit card customers, Credit Card Support Insurance policy was launched.
- "PPS+Support" package was started to be sold covering private pension plan contributions.
- "PPS+Critical+Support" package was put on sale which provides cover for contribution payments of private pension customers in the event of serious illness and disablement. It also provides death cover.
- Private Pension Plans portfolio was further expanded with "Master's Pension Plan", which incorporates the special features of "Life-Cycle Fund Exchange Model" and "Auto Re-Balancing System", a first in Turkey.
- "Customer Services Center" started operating in İçerenköy, İstanbul.
- "Shots from Life as Seen by Women" photography contest has been held for the third time.

### 2010
- The Company became the first pension company to reach 500,000 participants in the private pension system.
- Volume of the participants' private pension funds topped TRY 2 billion.
- "Shots from Life as Seen by Women" photography contest has been held for the fourth time.
- "PPS+Protection" package was started to be sold to private pension customers.
- "Life for Everyone" policy was renamed in Turkish.
- An agency agreement was signed with Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk).
- Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" at the "Turkey's Most Admired Companies 2010" survey conducted by Capital magazine.
- The Company set up "Emerging Markets Flexible Pension Growth Fund" (BRIC Plus Fund) and "Alternative Flexible Pension Income Fund" (Alternative Income Fund) and started their sales.
- "Pension Income Plan" targeting private pension system participants was put on sale.

# Anadolu Hayat Emeklilik by Numbers

| Shareholding Structure | Share Amount (TRY) | Share (%) |
|---|---|---|
| Türkiye İş Bankası A.Ş. | 155,000,000 | 62 |
| Anadolu Anonim Türk Sigorta Şti. | 50,000,000 | 20 |
| Millî Reasürans T.A.Ş. | 2,500,000 | 1 |
| Publicly Held | 42,500,000 | 17 |
| **Total** | **250,000,000** | **100** |

## The synergy created with its parent company İşbank fosters the competitive strength of Anadolu Hayat Emeklilik.




Of the 25,000,000,000 shares representing the capital in the amount of TRY 250,000,000; 100,000,000 consist of Class A shares and the remaining 24,900,000,000 consist of Class B shares. As of the date of the balance sheet, all of Class A shares are held by Türkiye İş Bankası A.Ş., the Company's shareholder.

Holders of Class A shares are not granted any privileges save for the election of the members of the Board of Directors. Six of the Board members are elected by the General Assembly from amongst candidates nominated by Class A and three from amongst those nominated by Class B shareholders. Holders of Class A shares are not granted any privileges save for the election of the members of the Board of Directors. The Company's articles of association do not allow creation of new Class A shares in capital increases.

During 2010, no changes were made in the Company's paid-in capital.

250,000,000 shares, each with a value of TRY 0.01 and all with a nominal value of TRY 2,500,000 which correspond to 1% of the capital of Anadolu Hayat Emeklilik and held by Fortis Bank A.Ş., have been sold on the ISE in March 2010, and the bank had no shareholding interest left in Anadolu Hayat Emeklilik after the sales.

### Shares held in the Company by the Chairman and members of the Board of Directors, CEO and Deputy Chief Executive Officers

Shares held in the Company by the Chairman and members of the Board of Directors, CEO and Deputy Chief Executive Officers are negligible.

### Modifications in the articles of association during the fiscal year

No modifications were made to the Company's articles of association during the fiscal year.

Based on the decision passed at the Board of Directors meeting held on 26 January 2011, it has been resolved;

- To raise the authorized capital of Anadolu Hayat Emeklilik from TRY 300,000,000 to TRY 450,000,000 under the provisions of the Capital Market Law no. 2499,
- To amend "Article 6 – Capital" of the articles of association to reflect the said increase in the authorized capital and the Council of Minister Resolution no 26513, dated 05.05.2007 concerning "Elimination of the Word "New" from the New Turkish Lira and New Kuruş Phrases and Implementation Principles" published in the Official Gazette issue 11963 dated 04.04.2007,
- To authorize the General Management for obtaining the relevant approvals from related authorities and for consummation of all legal formalities.

| Financial Highlights (TRY thousand) | 2009 | 2010 | Change (%) |
|---|---|---|---|
| Total Premium and Contribution Production | 844,155 | 899,211 | 6.5 |
| Mathematical Reserves and Dividend Reserves | 1,976,486 | 2,090,760 | 5.8 |
| Pension Funds | 1,952,892 | 2,619,960 | 34.2 |
| General Technical Profit | 18,820 | 26,840 | 42.6 |
| Total Assets | 4,480,463 | 5,298,991 | 18.3 |
| Paid-in Capital | 250,000 | 250,000 | - |
| Shareholders' Equity | 429,892 | 450,646 | 4.8 |
| Financial Income | 87,869 | 70,034 | -20.3 |
| Pretax Profit | 97,993 | 86,832 | -11.4 |
| Net Profit | 79,284 | 71,397 | -9.9 |

| Key Ratios | (%) | (%) |
|---|---|---|
| Pretax Profit/Shareholders' Equity | 23 | 19 |
| Total Premium and Contribution Production/Total Assets | 19 | 17 |
| Shareholders' Equity/Total Assets | 10 | 9 |

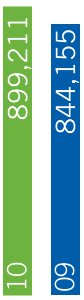
# 42.6%

In 2010, Anadolu Hayat Emeklilik achieved to increase its general net profit by 42.6%.

# 34.2%

In 2010, the volume of pension funds rose by 34.2% compared to the previous year.

Total Premium and Contribution Production (TRY thousand)




Mathematical Reserves and Dividend Reserves (TRY thousand)


Pension Funds (TRY thousand)


Total Assets (TRY thousand)


Shareholders' Equity (TRY thousand)

# Chairman's Assessment of 2010

## 2010 was a period of increased struggle to get back on sustainable economic growth track.

Characterized by the economies' struggle to recapture former growth levels, the reporting period, designated as the crisis-exit year, also revealed the presence of major structural issues. While emerging economies that attained fast rates of growth proved to be the driver of recovery in global economy, the economic activity and pace of growth in developed economies failed to match the expectations.

Loose fiscal and expansionary monetary policies enforced in developed countries fell short of producing the desired outcome in the elimination of the unemployment issue, and deflation risk and high debts, particularly in some of the EU countries, persisted, as well as high unemployment rates.

Public debt stock and budget performance maintained their positive course in emerging countries as opposed to the case in developed countries. However, it is observed that the inflationary pressure grew and an excessive capital flow arose in these countries in return for the vivid economic activity.

## The Turkish economy was noted for its performance.

The Turkish economy, backed by the increased domestic demand, exhibited a quick recovery, and moved on to a rapid growth path after the shrinkage in 2009. The positive developments in the economy secured upgraded ratings from rating agencies, combined with growing confidence in the future of our national economy within and outside national borders.

The results attained in terms of inflation and budget complemented the positive run of growth. Currently, a key issue facing the national economy and dogging the agenda is the risk of the current deficit being fuelled by the process leading to appreciation of local currency, as in other emerging countries, resulting from the increased capital inflow driven by the trust reinstated in financial markets, in combination with the revival in economic activity.

**Besides being the first and only publicly-traded company, we are the largest company in the sector in terms of total funds attained in life insurance and private pension branches.**

## Efforts need to be spent to familiarize the public with life insurance services and products.

In 2010, premium production on life branch in the overall sector augmented by 20% to TRY 2.2 billion, and took 15.4% share of the overall insurance sector. Nonetheless, the national insurance sector is yet to secure the desired momentum in life insurance segment.

Preferences for insurance products allowing putting savings into good use shift towards private pension products; as such, the development in life branch relied on the demand for products offering coverage for various risks. Recently, risk-sensitivity is elevated due to the crisis, resulting in increased demand for insurance products that can be used as a guarantee element in various loans, primarily for credit card debts and retail loans. Expanded business volume in this regard contributed significantly to the development of life insurance branch.

The demographics and development potential of our country, and insurance volume per person achieved in developed countries all clearly indicate that life insurance continues to present major potential for insurers.

## The private pension system promises a bright future.

Having continued to grow strongly with funds worth TRY 12 billion reached at the end of the seventh year in Turkey, the private pension system quickly moves towards evidencing that system is quickly proving to be a crucial sector that will provide long-term, stable fund inflow for the economy in the future.

The developments in the sector, coupled with the legislation paving the way for pension funds to invest in futures and options, precious metals and participation accounts, gave pension companies the opportunity to expand the base of customers serviced, and to develop products that better fit a wider range of needs and preferences. In the coming period, the competition that will take place on the axis of service quality, in particular, as well as in product development and delivery channels, will contribute significantly to the sector's development and growth.

## Our customers have held their trust in us for 20 years.

Providing service in private pension and life insurance segments, Anadolu Hayat Emeklilik has been incorporated in 1990 as "Turkey's first life insurance company".

Initiating and advancing life insurance in Turkey as a subsidiary of İşbank, which is one of the foremost establishments in our country, the Company was also a co-founder of the private pension system. Besides being the first and only publicly-traded company, we are the largest company in the sector in terms of total funds attained in life insurance and private pension branches. Always maintaining the trust of its customers drawing on the corporate culture of the İşbank Group, its robust financial structure and expertise, our Company succeeded in becoming the sector's most admired company in its line of business, and in being the top choice of private pension system participants.

I would like to extend my sincere gratitude to all our policyholders, participants, shareholders, business partners and employees for their support and contributions as Anadolu Hayat Emeklilik solidly progresses towards sustainable success.

Yours sincerely,

**Mahmut Magemizoğlu**
Chairman of the Board of Directors

# CEO's Assessment of 2010

## Anadolu Hayat Emeklilik reached 500 thousandth participant in its 20th anniversary.

In 2010 that marked its 20th anniversary, Anadolu Hayat Emeklilik felt proud of being the first company to hit 500,000 participants in the private pension system, while displaying a high performance in life and private pension branches.

Our Company, in 2010, fortified its leading position in the number of participants in the private pension system, and rose to leadership in pension fund size.

Increasing its market share to 22.2% in the number of participants and to 21.8% in total funds under management, Anadolu Hayat Emeklilik continued to be the most preferred company in the sector in terms of the number of participants. In addition, the Company achieved the highest growth in the amount of pension funds in 2010 within the overall sector.

The Company continued to perform well in life branch in 2010, and remained one of the leading companies in the sector with a premium production of TRY 357 million and policyholders' assets under management totaling TRY 2.1 billion.

## New products in life branch will ensure growth.

Based on 2009 data, average life premium production per capita is approximately USD 1,606 in OECD countries and USD 32.3 in African countries. Standing at a mere USD 15.3 in Turkey, the premium production per capita in life insurance is the key indicator of the potential our country presents in life branch.

We believe that the desired volumes will be attained in life insurance provided that the positive conjuncture in socio-cultural and economic areas continues and the sector is backed by innovative products.

**In 2010, Anadolu Hayat Emeklilik felt proud of being the first company to hit 500,000 participants in the private pension system, while displaying a high performance in life and private pension branches.**

Increased cooperation between life insurance companies and banks resulted in greater intensity in the sales of life and unemployment policies offered in connection with banking products. Life and unemployment policies that provide cover for retail loans and credit card debts, in particular, are responsible for a substantial part of the premium volume in this respect, while the rest is derived on group life insurance policies.

## Development of the PPS must be one of our priorities.

Inaugurated seven years ago in Turkey, the PPS reached 2.3 million people with a year-on rise by 15.1%, while total funds grew 33.5% to TRY 12.1 billion. Invested funds amounted to TRY 9.3 billion in the same period.

According to the OECD report of July 2010, the ratio of pension funds to GDP averaged 67.1% in OECD countries as of year-end 2009, while the same ratio was 2.3% in Turkey. Our country presents great potential for development with her young population, developing economy, existing long-term savings gap and low penetration levels. In order to speed up the development of the private pension system, efforts must be spent to better communicate the tax advantage offered, which constitutes one of the most attractive features of the system and yet is benefited by only 37% of the existing participants. To this end, transition to “direct tax incentive” is one of the recommended solutions, which has proved to be a success in all countries that launched the incentive. On the other hand, the sector would gain significant momentum by an increase in corporate participations. While corporations have more than 50% share in developed countries, the same share is 23% in Turkey as of year-end 2010.

The average investment term of PPS funds and the ratio of stock therein are nearly four times those of other mutual funds in Turkey. This exhibits that the PPS funds, as the most lucrative investment instrument in the long-term, represent the new blood wanted for the capital markets to develop further and get deeper.

## Activities to attract an increase in corporate participation continue at full speed.

Campaigns targeting our intermediaries were put into life in an effort to increase corporate participation to the private pension system, predominantly in employer-sponsored contracts, while new products were created and informative activities addressing organizations were sustained. Further, relevant work continued on getting the infrastructure ready for the “Corporate Representative Log-in” feature for existing corporate customers, which will be accessible on our corporate website.

As stipulated in the Insurance Law No. 5684 and as its principles and procedures set out in the “Regulation on Transfer from Associations, Foundations, Retirement Funds and Other Similar Institutions to the Private Pension System and Annuity Contracts”, the right to transfer commitments to retirement within such companies and institutions to the private pension system expires in June 2012. Accordingly, efforts will be carried on to inform the companies and institutions about the subject, based on the estimation that the topic will come to the foreground in the agendas of relevant companies and institutions and that developments will gain speed in 2011.

## We are responding to changing market conditions with innovative products.

In 2010, Anadolu Hayat Emeklilik, keeping a keen eye on the current conditions, introduced new products that represent “first”s in the market and create demand among the target audience.

The Company set up two new pension funds with a view to increasing the fund options offered to private pension participants and to broaden our target audience so as to cover the interest-sensitive customer segment. Emerging Markets Flexible Pension Growth Fund” (BRIC Plus Fund), targeting participants wishing to take a share in the growth potential of emerging countries, and “Alternative Flexible Pension Income Fund” (Alternative Income Fund), directed towards interest-sensitive participants, were put on the market in the last quarter of 2010. The BRIC Plus Fund is a pension mutual fund offered for the first time by Anadolu Hayat Emeklilik in the sector.

**CEO's Assessment of 2010**

Options that can be preferred by participants who are entitled to pension under the private pension system and who wish to exercise the same rights are set out in legislation. The Retirement Income Plans devised in accordance with the legislation are introduced for participants wishing to receive their accumulated savings within the frame of a scheduled payback in 2010.

"PPS+" product range has been expanded in the reporting period with the addition of "PPS+Protection" package, the long-term life insurance product with variable coverage that provides protection for the contributions PPS participants will be required to pay to be entitled to pension in the case of permanent total disability, in addition to a death cover.

## Our distribution network is one of our most valuable assets.

The distribution network is one of the key competitive advantages and most important assets that determine our Company's positive performance and strong position in the sector. Possessing the most extensive bancassurance and private insurance agency network, Anadolu Hayat Emeklilik effectively reaches its policyholders with more than 2,000 branches of seven partner banks, nearly 300 private agencies, and direct sales team.

## We keep exercising positive discrimination in favor of our women.

Our Company places women in the focal point when designing its social and cultural projects. In this frame, "Girls: The Insurance of our Future" project entered its sixth year, which is a social responsibility initiative devised to contribute to the education of hundreds of girls studying insurance across Turkey through scholarships. Educational activities continued at 30 schools across 23 provinces during 2010.

Apart from our social and cultural projects, we are striving to protect our women's future via products tailored for them.

The top choice of women as exhibited by its portfolio, 54% of which is constituted by women, Anadolu Hayat Emeklilik exceeded 250,000 in the number of women participants at year-end 2010. "Pension Plan for Housewives" that enables participation to the system with affordable contributions particularly for women without any social security has drawn intense interest and reached 150,000 women participants.

## We are targeting increasing performance in 2011.

In 2011, the key priorities of the Company will still be to propose products that cater to the needs of our customers drawing on the product diversity we command in private pension and life insurance branches, to effectively reach our policyholders via our wide-ranging distribution channels and to further enhance customer satisfaction capitalizing on superior standards in service quality and investment performance.

Based on our strategy focused on high performance and leadership, we will keep solidly moving towards our targets also in 2011. The ethical values, transparency and corporate stance of Anadolu Hayat Emeklilik, Turkey's first and only publicly traded pension company, will continue to be a manifestation also of its responsibilities towards its social stakeholders in all of the Company's activities.

I would like to extend my sincere thanks to our policyholders, employees, business partners, shareholders and particularly our parent company İşbank for their invaluable contributions that made our 2010 results possible.

Yours sincerely,

**Mete Uğurlu**
Chief Executive Officer

## Funds of Life Insurance Policyholders

TRY **1,977** million

Based on the life insurance mathematical reserves data of Life Insurance Data Center (HAYMER) as of 31 December 2010

# Developments in the World and Turkish Economies and Sectoral Overview in 2010

## The World Economy

2010 has been a year of recuperation for the global economy. Two key elements in the process have been noteworthy. First was the shrinkage in the worldwide economy, which was in lesser extent than anticipated due to the extraordinary monetary policy measures, public supports and action packages introduced by central banks and other authorities immediately after the onset of the crisis, and also contributed by the betterment in expectations. The markets stepped into a normalization process from the second quarter of 2010, resulting in significant rises and recovery in economic activities. The other remarkable point is the economic recovery and growth in developed countries that considerably lag behind those in emerging countries.

Failure to fully reinstate the consumers' trust, combined with the continued decline in household income, kept consumption in many developed countries at low levels. Expectations about the future in the economy are worsened by the high rates of unemployment, as well as the uncertainties regarding the banking systems and public finance in developed countries. A number of emerging economies that grow rapidly in contradiction to developed economies experienced improved unemployment rates as well, in return for active consumption.

Faced with the global crisis at a time when it was suffering enormous instability, Europe had serious problems particularly in the second quarter of 2010. Production declined in some Euro area countries, due, in particular, to high foreign trade deficits and public debts, and also due to the downturn in the construction industry and the growth in lending, as well as chronic issues in the banking sector. The debt crisis that keeps increasing its depth in the EU started nurturing the concerns regarding the value of euro, and the conviction is spreading that the global economy is confronted with the danger of hitting the bottom for a second time. In order to overcome the debt crisis, EU and IMF decided to launch a EUR 110 billion package to bail out Greece. In addition, another package has been announced for a total of EUR 750 billion co-financed by the EU and the IMF in order to guarantee the future of the euro and to support EU countries in hardship. On another wing, the major decline in production, and high-cost actions taken in relation to the crisis have led to high public deficits in Portugal, Ireland, Greece and Spain. At the meeting held on 2 December 2010, the European Central Bank Governing Council decided not to effect interest cuts in the short term, in parallel with its decision of October last year.

The US economy displayed a gradually decreasing growth performance in 2010. The key factors that slowed down growth included the rapid increase in imports in the face of the rapid decrease in exports, and the deceleration in inventory depletion. Also, unemployment rate in the USA sent out negative signals in 2010. While it was 9.3% in 2009, it is estimated to be in the region of 9.7% as of year-end 2010.

China will apparently keep up with its economic growth that exceeds the targets also in the period coming, thanks to the country's strong domestic demand. In 2010, some progress has been observed in Japan's exports. The deflation that arose in the country, however, stands as a barrier against the domestic demand. The 2010 valuation of yen is anticipated to bear a negative impact on the contribution of exports to growth. According to the World Economic Outlook by IMF, it is estimated that China will grow 10.3% and Japan 4.3% in 2010.

Based on the IMF World Economic Outlook, the world economy is estimated to have grown 3.9%, whereas the same was 3% for developed economies; 1.8% for the Euro Area, and 7.1% for emerging countries. The projected rate of growth for 2011 is 3.5% for the global economy, 2.5% for developed economies, 1.5% for Euro Area and 6.5% for emerging countries.

The continued recuperation in global economy in the year ahead will rely on the implementation and sound coordination of necessary economic measures and policies such as increasing the saving measures, restructuring debts, and strict control over monetary and capital markets. Important activities are carried out on international platforms such as the G-20 Summit, with a view to strengthening the supervision and regulation mechanism over the global financial system.

On the other hand, the occurrence of the global crisis sped up the revision of Basel II guidelines. Both the banking sector and other economic circles are relieved by the five-year period granted to banks for achieving compliance with the minimum required reserve ratios set out in Basel III developed in this frame. Owing to Basel III guidelines, the banks will be able to increase their capital gradually, which will render the global financial system more resilient.

After suffering a record contraction with 14.5% in the first quarter of 2009 due to the global crisis, the Turkish economy grew 11.7% in the first quarter of 2010, registering the highest rate of growth among OECD countries.

## The Turkish Economy

After suffering a record contraction with 14.5% in the first quarter of 2009 due to the global crisis, the Turkish economy grew 11.7% in the first quarter of 2010, registering the highest rate of growth among OECD countries. However, net of base effect, calendar and seasonality, the economy had not yet returned to the pre-crisis level as of the first quarter. On the part of the investments made, there was 26% decline in the public sector and 22% increase in the private sector.

The Turkish economy captured 10.3% growth in the second quarter driven by the revived domestic demand and accelerated investments, and, for the first time since 2004, registered two-digit growth figures for two consecutive quarters. Ranking 4th across the world on the basis of the growth performance achieved, the Turkish economy shared the second spot with China among G-20 countries. Growth lost pace in the third quarter and stood at 5.5%, producing an average of 8.9% for the first three quarters in 2010.

Due to the sharp downturn in food prices in the last quarter of the year, annual inflation figure was parallel to the previous year's level. In 2010, the CPI, at 6.4%, was a mere 0.1 percentage points below the annual target of 6.5%.

In 2010, Turkey's exports increased 11.5% and reached USD 113.9 billion, whereas imports were up 31.6% to USD 185.5 billion. As the foreign trade deficit expanded by 84.5%, the deficit amounted to USD 71.6 billion. The ratio of exports to imports slid down from 72.5% to 61.4%.

Globally low interest rates, accelerated growth in lending resulting from short-term capital flows that gained strength, increasing imports and weak foreign demand gave rise to the rapid expansion in the current deficit in 2010. The current accounts produced a deficit of USD 48.6 billion in the reporting period. Estimated to be 5.8% in 2010, the ratio of current deficit to GDP is projected to materialize in the region of 6.5% in 2011.

The medium-term program for the 2011-2013 period announced by the government targets sustainable growth, betterment in public sector balance and increased employment. The program set its priority targets as giving precedence to healthcare, education, infrastructure and social outlays, thereby reducing the difference between regional development levels to reasonable levels. The plans also include revision of the tax system on the principles of efficiency, simplicity, and fairness, as well as simplification of the tax legislation.

There have been declines in medium and long-term interest rates, due also to the effect of the improved global risk perceptions in the money markets. The contributing factors to this outcome included the fiscal discipline adhered to, positive developments in the budget and stronger-than-expected recovery of the economic activity. In addition, the Central Bank of the Republic of Turkey (CBRT) pulled the overnight borrowing rate down to 1.5% at year-end 2010, and restored the lending rate to 9%, while reducing the policy rate from 7% to 6.50%.

Opened at 52,825 at the onset of 2010, the ISE National 100 Index closed the year at 66,004 points, with a rise of 24.9% over the course of the year. The drivers behind this result were the upgraded rating of Turkey by rating agencies, combined with the bank stock purchases that resulted from the positive atmosphere in global markets.

The TRY/USD exchange rate, which was 1.49 at the start of 2010, increased during the first six months to reach 1.57 at the end of June. In the months that followed, the US dollar lost value upon the realization that the revival in demand in the USA adopted a slower pace than expected, and due to expected liquidity injection to the market by FED. Having gone down to 1.49 at the end of November, the rate rose once again, completing the year at 1.54.

Having started 2010 at 2.13, euro took a downturn through the first half of the year because of the debt crisis that got gradually deeper in the EU, stopping at 1.93 at the end of June. Following a fluctuating course thereafter, euro gained momentum in December and reached 2.05 at the end of the year.

**8.9% Turkish economy grew by 8.9% in the first three quarters of 2010.**

**Developments in the World and Turkish Economies and Sectoral Overview in 2010**

## Life Insurance and Private Pension System

The Turkish insurance sector performed solidly in premium production in 2010. Based on 2010 data, premium production in non-life branches reached TRY 11,948 million and took 84.6% share of total production. Life insurance also attained 20% expansion and got 15.4% share of total production on the back of a premium production that amounted to TRY 2,181 million.

Having completed its seventh year in Turkey, the PPS attracted attention in that it was one of the sectors that were the least affected by the negativities created by the global crisis, and sustained its growth in 2010 drawing on its robust infrastructure, operation, transparency, growth potential presented, and positive contribution of the crisis towards the tendency to save up.

The number of participants in the PPS reached 2,287,898 people with a year-on rise by 15.1%, while total funds grew 33.5% to TRY 12.1 billion. Total invested funds were worth TRY 9.3 billion.

According to the OECD Report published in July 2010, the ratio of pension funds to GDP is 67.1% in OECD countries, while the same is a low 2.3% in Turkey. This is an indicative of the great development potential pension funds present in Turkey in the long run.

Increase to be achieved in corporate participations will lend significant momentum to the sector. The distribution of employers' and employees' contributions to the private pension systems in developed countries reveals a participation ratio of employers in the region of 50%.This figure presently floats at very low levels in Turkey. Based on data from the Pension Monitoring Center (PMC), 23.2% of the total number of contracts and certificates under the private pension system takes place under group pension plans. Corporations' better comprehension of tax advantages, as well as the advantages that will be possessed with respect to human resources policies will warrant increased interest of corporate participants in the system. It is expected that plans that were put on hold due to the global crisis will be implemented in 2011 when the negative impact of the crisis will start to diminish.

Better communication of tax incentives that are taken advantage of by only 37% of the existing participants and transition to the "direct tax incentive" implementation that has been successful in all countries that launched it will possibly prove to be significant initiatives with respect to the sector's strengthening in the period ahead. Another positive development is the new regulation of the Capital Markets Board of Turkey that went into force in 2010 and brought a new perspective for private pension funds: it paves the way for pension funds to invest in futures and options, precious metals and participation accounts.

**33.5% Total funds in the PPS grew 33.5% to TRY 12.1 billion.**

# Total Assets

TRY **5,299** million

As of 31 December 2010

# Goals and Policies of Anadolu Hayat Emeklilik

The primary goal of Anadolu Hayat Emeklilik is to be the sector's leading company in life insurance and private pension branches, which constitute its fields of operation.

In keeping with this goal, the Company intends to sustain its profitable and stable growth while remaining strictly adhered to:

- its service approach that gives the foreground to customer satisfaction, and
- the corporate culture and code of ethics of its parent company İşbank

Along these lines, it is among top priorities for Anadolu Hayat Emeklilik to render corporate success sustainable and to be the strongest and most reliable company offering service in the Turkish insurance and private pension industries.

Anadolu Hayat Emeklilik is a leading actor in the national economy, as much as it is in the insurance sector. Carrying out its activities in a sense of power, confidence and responsibility derived from its position, Anadolu Hayat Emeklilik is committed to making optimum use of its know-how, experience and capital accumulation and to sustaining its achievements on the axes of;

- productivity,
- profitability,
- growth.

Anadolu Hayat Emeklilik designated the following as the essential components of its mission:

- develop and nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones;
- offer financial solutions that ease people's doubts about the future and enhance the quality of their lives;
- contribute to the development of the national economy by creating long-term financial resources.

The Company's vision is to be Turkey's top and most preferred life insurance and private pension company in all aspects and to take place among the leading companies in terms of size and quality in the world, which increases the degree of globalization and integration particularly in economy by the day.

Formulated along these lines, Anadolu Hayat Emeklilik spells out its corporate goals as follows:

- Anadolu Hayat Emeklilik retained its long-going title as the "sector's biggest" with total funds of its life insurance customers that amounted to TRY 2,017 million at year-end 2010 in life insurance branch. The Company ranks first in the number of participants in private pension branch, and recaptured the top spot also in total funds with a market share of 21.8% according to Pension Monitoring Center (PMC) data dated 7 January 2011. The priority target of the Company is to enhance its performance and maintain its position at the very top.

- In 2010, Anadolu Hayat Emeklilik outperformed its main competition in terms of average return on pension funds in the private pension system. As the first and only company to surpass 500,000 in the number of participants according to Pension Monitoring Center data as at 26 November 2010, the Company aims to sustain its superiority secured in the fulfillment of its customers' financial expectations in 2011, as well as its leadership in the number of participants and total funds.

- The private pension system is anticipated to considerably increase the number of participants and total funds in the medium and long term, and thus, leverage its share in gross domestic product to a significant level. In line with this anticipation, and with the target of increasing the share Anadolu Hayat Emeklilik gets in total funds, alternative marketing and sales strategies will be devised and employed in the most effective manner.

  Turkey's young demographic structure indicates at a very significant sales potential for the insurance industry. Anadolu Hayat invests intense efforts to make optimum use of this potential, and has the required organization and competencies at its disposal.

  In order to minimize the number of participants leaving the system due to unemployment, credit debts and similar factors, or the number of participants transferring to another service provider, Anadolu Hayat Emeklilik carries out analyses and studies that cover the entire suite of marketing, sales, customer relations and operations

**It is among top priorities for Anadolu Hayat Emeklilik to render corporate success sustainable and to be the strongest and most reliable company offering service in the Turkish insurance and private pension industries.**

processes. These activities aim at the formulation of actions directed towards the reinforcement of the customer-focused approach and the service quality, which take place among the Company's priorities.

- The Company's priority goal is to achieve growth and business volume expansion that surpass the sector's averages. On another wing, Anadolu Hayat Emeklilik will carefully monitor the financial costs that will arise from the said expansion and enable stable development of profitability.

- Anadolu Hayat Emeklilik is convinced that improving the relationship between banking and insurance bears importance with respect to the Company's future and effectiveness in the market. Along this line, the Company signed a cooperation agreement with Albaraka Türk Participation Bank in 2010. Drawing on the new sales channels to be created within the synergy that will arise from this collaboration, it is targeted to create added value for the overall sector, while further increasing the Company's growth momentum.

  Setting up strategic alliance with different banks will remain on the Company's agenda in 2011, provided that suitable conditions are ensured.

- According to the results of "Turkey's Most Admired Companies 2010" survey conducted by Capital Magazine, Anadolu Hayat Emeklilik has been named the most admired company in the private pension sector. The Company is committed to preserving its position as the most trusted company regarded with the highest level of prestige by the business world.

- Anadolu Hayat Emeklilik keeps closely monitoring various nation- and world-wide practices and new product development in life insurance and private pension segments.

  Activities will be ongoing to develop new products which are designed to respond to customers' needs, and to offer them via the correct outlets, as exemplified by the "PPS+Support" that fills a niche in the sector and was introduced in 2009; the policy provides cover for payment of individuals' contributions for a certain period of time due to involuntary unemployment or temporary disablement. Another example in the same vein is the "PPS+Protection" policy launched in 2010, which provides cover for contributions private pension participants will be required to pay to become entitled to pension benefits in case of permanent total disability, in addition to death cover.

- Anadolu Hayat Emeklilik, once again in 2010, achieved growth that outdid the sector's average in private pension branch on the basis of the number of participants, number of contracts, total funds and invested funds. The strategy and practices of the Company will be directed towards:
  - Sustained growth based on a customer-focused approach,
  - New product development,
  - Enhanced sales and service quality.

  Priority considerations with respect to maintaining the successful results and accurate execution of the Company's strategies will include preserving the solid financial structure, and increasing the coordination and efficiency of the distribution channels comprised of more than 2,000 branches of İşbank, HSBC, Anadolubank, TSKB, BankPozitif and Albaraka Türk, and nearly 300 private agencies.

- Anadolu Hayat Emeklilik intends to capitalize on opportunities that will arise in 2011 in accordance with new regulatory arrangements concerning vesting period and transfer of commitments to retirement within associations, foundations, and retirement funds to the Private Pension System and concentrate on increasing corporate participations that were put on hold by companies due to the economic crisis.

- It remains also among the Company's 2011 targets to keep the employees and distribution channels constantly informed on new practices, along with the provision of necessary training and guidance.

- Anadolu Hayat Emeklilik targets to further increase the Company's market capitalization that reached its historic high in Turkish lira and US dollar terms in 2010.

# An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2010

In 2010 that marked its 20th anniversary, Anadolu Hayat Emeklilik kept offering high quality service to its customers in life insurance and in the private pension system, and continued to achieve successful results.

While 2010 results attested to the accuracy of the strategy and policies pursued by the Company, they also served to cement the top spot Anadolu Hayat Emeklilik enjoys in a number of aspects.

In 2010, Anadolu Hayat Emeklilik;
- Sustained its consistent growth with total assets that reached TRY 5,299 million at the end of the year, up 18%.
- Posted TRY 71.4 million in net profit for the period.
- Kept offering its customers life insurance and private pension products that have been diversified in line with their needs and succeeded in expanding its customer base on the back of the high customer satisfaction ensured.
- Registered TRY 357 million in premium production in 2010 as the leader of the sector in terms of mathematical reserves in life insurance branch.
- Captured leadership in total assets under management while remaining the leader of the private pension system in terms of the number of participants. The Company attained 15.7% growth in the number of participants and nearly 35.8% in assets under its management compared with year-end 2009 data.
- Continued to make effective use of bancassurance and carried out a productive and synergetic cooperation with İşbank, HSBC, TEB, Anadolubank, TSKB and BankPozitif.
- Kept working toward further enhancing its service quality and customer satisfaction,
- Pursued a transparent communication policy with all of its shareholders, and observed full compliance with corporate governance principles, and applicable legislation.

## 500,000 participants: A prime in the private pension system

One of the founders of the private pension system in Turkey, Anadolu Hayat Emeklilik reached 500,000 participants in 2010, thus being the first company to hit this mark.

The Company outperformed the sector's average growth and reached 506,807 participants, which account for 22.2% of the industry's total.

Based on PMC data, the Company's total invested amount reached TRY 1.9 billion in 2010, while the participants' total funds amounted to TRY 2.6 billion.


**As of year-end 2010, Anadolu Hayat Emeklilik offers a portfolio of products covering 11 individual and 159 group pension plans and 19 pension funds with different content and fees.**

## Product range differentiated according to risk versus return expectations

Anadolu Hayat Emeklilik offers a wide range of products to its customers. Closely monitoring and considering the needs of its individual and corporate customers, Anadolu Hayat Emeklilik possesses a portfolio that enables the participants to specify their individual fund preferences according to their own investment experience and risk versus return expectations. As of year-end 2010, this portfolio of products covered 11 individual and 159 group pension plans and 19 pension funds with different content and fees.

The pension funds of Anadolu Hayat Emeklilik are managed in cooperation with Turkey's three leading and most experienced asset management companies, İş Portföy Yönetimi, HSBC Portföy Yönetimi and TEB Portföy Yönetimi.

## Extensive distribution network

Anadolu Hayat Emeklilik offers its broad product portfolio tailored to the needs of customers through regional offices in İstanbul (2), Ankara, Adana, Bursa and İzmir, a branch in the Turkish Republic of Northern Cyprus, bank branches, its direct sales team and agents.

The call center and internet banking make up the alternative distribution channels that complement the strong distribution channels strategy of Anadolu Hayat Emeklilik and gain increasing importance by the day.

## Powerful efficiency in bancassurance driven by a network of over 2,000 branches

Anadolu Hayat Emeklilik is the service provider possessing the most extensive and effective implementation of bancassurance.

In this respect, the Company has cooperated with İşbank, HSBC Bank, TEB, Anadolubank, TSKB and BankPozitif. In addition, the Company also carried out activities with Albaraka Türk Participation Bank, with which an agreement was made in 2010, regarding product and service infrastructure.

## Deeply-rooted cooperation with İşbank

One of the most effective and most successful implementations of bancassurance in Turkey comes to life via the deeply-rooted cooperation between Anadolu Hayat Emeklilik and its parent company İşbank

The competitive edge of Anadolu Hayat Emeklilik is significantly sharpened by the synergy created with İşbank that commands 1,142 branches, cutting-edge technological infrastructure, and efficient alternative distribution channels.

## Future Planning Specialists: Solid contribution to sales

The direct sales team of Anadolu Hayat Emeklilik offers service in İşbank's branches in 48 provinces.

Possessing great significance within the distribution channels, the team constituted of 302 sales professionals realized 53% of new private pension plan sales in 2010.

Operating under the title Future Planning Specialists, the direct sales team is assigned with the marketing and sales of both private pension and life insurance products.

## Agencies: A vital component of the distribution channel

Anadolu Hayat Emeklilik has nearly 300 agencies across the country.

Having generated sales of significant amounts both in endowment life insurance and private pension policies also in 2010, agencies took 30% share in initial premium/contribution production inclusive of premiums on policies sold jointly with banks.

## Successful campaigns, successful results

The campaigns that Anadolu Hayat Emeklilik conducted in private pension and life insurance throughout 2010 targeted to:

- enhance customer satisfaction,
- reinforce cooperation among sales channels, and
- increase sales.

**An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2010**

Carried out via agencies, banks and the direct sales team, the campaigns contributed to the solid performance of Anadolu Hayat Emeklilik.

## A dynamic company that leads change

Call centers and internet banking gain increasing strategic importance and are more widely used in marketing, sales and customer relations processes.

Anadolu Hayat Emeklilik successfully employs the call center and internet banking in making its marketing, pre- and after-sales services faster and of higher quality, thereby constantly maintaining customer satisfaction.

Within the scope of the alternative distribution channels' activities carried out in 2010, the Customer Relations and Operations Department responded to about 511 thousand inbound calls and 36 thousand e-mails and made 402 thousand outbound calls. In addition, purchase demands for life insurance and private pension products received by telephone and the internet have been duly handled.

Anadolu Hayat Emeklilik, in 2010, redesigned its corporate website offering service at the address anadoluhayat.com.tr.

Possessing a user-friendly design and solid infrastructure that provides easy access to information on the Company, its products and services, the website attracts existing and potential customers with its calculation tools, which are accessible on the home page,that enable the comparison of the returns on funds with the returns on other investment alternatives and measure the performances of pension plans.

## Activities for corporate customers

Anadolu Hayat Emeklilik believes that corporate participants are critical for the future development of the system. In this context, the Company carries out activities targeting corporate participants and continues to conduct campaigns targeting agencies to increase the sales of group pension plans, especially employer-sponsored ones. The Company also kept working on the design of the "Corporate Representative Log-in" section that will be accessible from the website for corporate customer representatives.

## Electronic Private Pension Intermediaries Exam and new hires

As per applicable legislation, agencies and sales representatives offering service as intermediaries in the private pension system are required to successfully pass the e-BEAS (Electronic Private Pension Intermediaries) exam.

Anadolu Hayat Emeklilik made sure that all of its service delivery employees took the e-BEAS exam during the reporting period.

Consequently, the number of Anadolu Hayat Emeklilik private pension intermediaries with permanent licenses reached 3,533 at the end of 2010.

## The key to success: Our competent people

The key driver behind the robust performance and energy of Anadolu Hayat Emeklilik is its experienced, creative and dynamic human resource espousing the corporate culture and guided by common sense in their actions. Anadolu Hayat Emeklilik is one of the most preferred employers in the industry and stands out for the human policy adopted.

## At the end of 2010, Anadolu Hayat Emeklilik had a total of 676 employees on its payroll.

Boasting a young team, 67% of the Company's human resource consists of employees in the 25-34 age interval.

The Company's direct sales team, consisting of 302 people and serving under the title Marketing and Sales Staff, represents the Company's unmatched muscle in marketing.

Providing modern training and career opportunities to its employees, Anadolu Hayat Emeklilik provided a total of 3,375 hours of training to its employees in 2010. In this frame, 3,415 people received training primarily in the private pension system, and professional and personal development. Average training time per person was 19 hours.

Anadolu Hayat Emeklilik firmly believes that women's status is directly correlated with our country's level of development. In line with this conviction, the Company exercises positive discrimination in favor of women, and develops its social responsibility projects so as to support their improvement.

## Social responsibility projects

Anadolu Hayat Emeklilik firmly believes that women's status is directly correlated with our country's level of development. In line with this conviction, the Company exercises positive discrimination in favor of women, and develops its social responsibility projects so as to support their improvement.

## "Girls: The Insurance of Future" Project

Dedicated to the aim of benefiting 500 girls who are financially unable to continue their education, the project conducted with ÇYDD (The Association to Support Contemporary Living) and the support of the Ministry of National Education is now in its sixth year.

Within the project, students continue their education on scholarship from Anadolu Hayat Emeklilik in the insurance departments opened by the Ministry of National Education at Trade Vocational High Schools. Upon graduation, they attend the Vocation School of Banking and Insurance for further studies.

The project is carried out in 30 schools in the provinces of Ankara, Antalya, Aydın, Balıkesir, Bilecik, Bursa, Denizli, Diyarbakır, Edirne, Hatay, İstanbul, Kars, Kırklareli, Kocaeli, Konya, Kütahya, Mersin, Sakarya, Sivas, Tekirdağ, Tokat, Trabzon and Zonguldak.

In 2008, female employees of Anadolu Hayat Emeklilik had started mentoring within the scope of "Girls: The Insurance of Future", under a new initiative named "Life Volunteers". This activity continued in 2010. Through mentoring, Life Volunteers help the girl students have a better idea about their future professions, and provide them with guidance through their suggestions any time they need.

In 2010-2011 academic year, Anadolu Hayat Emeklilik started offering scholarship to an additional group of 100 girl students selected from 10th and 11th grades of the insurance departments of Trade Vocational High Schools.

## "Shots from Life as Seen by Employees" photography competition

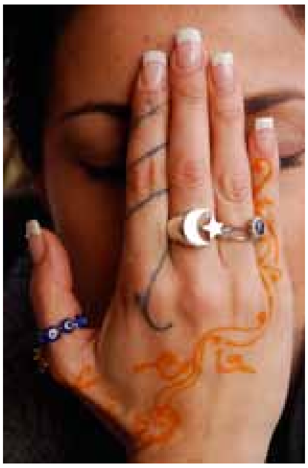
Initiated in 2008, "Shots from Life As Seen by Employees" photography competition continued in 2010. Prior to the competition that seeks to improve the competence to see and share the beauty among its employees, and to promote intracompany communication, a photosafari and photograph assessment session was organized to share the techniques of taking photographs and the beauty of the art of photography.

**An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2010**

## "Shots from Life as Seen by Women" photography competition

Aiming to contribute to the social and cultural development of the Turkish women, and giving the women a platform of free self-expression, the "Shots from Life as Seen by Women" photography competition was organized for the fourth time in 2010.

1,505 participants submitted 6,780 photographs to the competition that was themed "About Life", and that was open exclusively to both amateur and professional female photographers. 42 photographs that are placed in top ranks and deemed worthy of being exhibited were collected in a special catalogue and found themselves a permanent place in the Company archives and collections of photography fans. The photographs were also exhibited for six weeks in various exhibition venues.



## Communication activities during the 20th year

In 2010 that marked its twentieth year in service, Anadolu Hayat Emeklilik carried out advertising and public relations activities aimed at constantly keeping its image and prestige before the stakeholders strong, and offering an introduction to the private pension system by the leader in the sector.
The highlights of these efforts are presented below:

- Placed in various newspapers and magazines, advertisements designed in celebration of the 20th year in service underscored the Company's identity as a young and dynamic company in addition to its pioneering stance and experience.
- The Company's 20th year in service has been celebrated at a reception held on 01 June 2010 in İstanbul and attended by 300 guests from the media and the business world. Designed in a special booklet format based on the milestones in the Company's history, the reception invitation was received with admiration.
- The logo designed specifically for the 20th anniversary of Anadolu Hayat Emeklilik has been used in all communication activities.
- Anadolu Hayat Emeklilik, continuing to exercise positive discrimination through its social responsibility projects, remains the only company offering customized private pension plans and stands out with projects that accords privilege to women. Within this framework, the Company carried out campaigns specific to housewives and to the Mother's Day.
- The advertisement about the "500 thousandth participant" was published in magazines and newspapers in December 2010. The Company's CEO Mete Uğurlu paid a visit to the 500 thousandth participant at his home.
- Based on the results of the Turkey's Most Admired Companies 2010 survey conducted by Capital Magazine, Anadolu Hayat Emeklilik has been named the Most Admired Company in the Private Pension Sector.
- Internal communication magazine "Hayata Dair" (About Life), which is the product of voluntary teamwork of Anadolu Hayat Emeklilik employees, continued to be published quarterly. Each issue has been distributed in 2,500 copies.
- Internal communication activities went on, within the scope of which an internal communication questionnaire has been administered. The questionnaire provided feedback on the employees' expectations with respect to internal activities.
- Advertising and promotion activities continued on different media such as TV, radio, press, the internet, cinema, shopping centers, etc. throughout 2010.

# Participants Retired from Private Pension

# 1,713 thousand

Based on Pension Monitoring Center's data as of 07 January 2011

# Practices Concerning New Services and Activities

Anadolu Hayat Emeklilik, in 2010, focused on project management activities directed towards change and development requirements in keeping with its goals and policies, and adopted in-depth and project-based management concept at a growing extent. In carrying out their efforts presenting great innovative value, the business units and their employees who have espoused the change culture referred to the Project Management Department more frequently.

These developments served to increase the Company's business value and to sustain competitive edge. They have also been instrumental in the formation of settings and possibilities conducive to improvement of employees' team working skills, internalization of structured working culture, and unveiling new individuals with strong leadership qualities, as well as in the enhanced quality of the human resource.

Anadolu Hayat Emeklilik authored significant novelties in sales, marketing and operation fronts directed towards new product, service and activity development in 2010. The Company also kept investing in strengthening its communication, database and server infrastructure, employing state-of-the-art information technology solutions. These investments should be regarded as the foundation, upon which will rise the new initiatives to be realized in process and information management that will be kicked-off right from the start of 2011.

Executed under the headings below in 2010, projects have been tackled within the scope of roadmaps developed in recognition of the even higher expectations of internal and external customers.

- Upgrading customer service operations
- Designing products incorporating new features
- Establishing new cooperations for sales
- Improving data management and reporting services
- Diversifying online services
- Automation of work-flows
- Strengthening information security infrastructure
- Revamping the financial transactions system

In 2011, drawing on its strong information technology infrastructure, Anadolu Hayat Emeklilik aims to provide reliable and user-friendly platforms that are able to offer rapid service to potential business partnerships/sales outlets based on creative collaborative models, upon which various sales channels will be able to go live quickly.

Recognizing that this goal needs to be supported with solid service levels to be set up along information management and after-sales processes, the Company introduced new project fields:

Planned targets include the following:

- Renew the corporate information and communication portal,
- Design more customer-friendly media on the website,
- Alleviate the workload flow on operational lines by use of workflow automation solutions and outsourcing,
- Produce necessary solutions for conducting performance assessments.

# İşbank

Established in 1924 in Ankara, İşbank has made ever-increasing contributions to the Turkish economy in the 86 years time since its establishment. With numerous innovations, İşbank has been the founder and an icon of modern banking in Turkey. Assuming key roles at every stage of both the economic and business operating cycles, İşbank embraces the whole society in line with its mission, which can best be summarized as “Turkey’s Bank” and by doing so, it has succeeded in becoming the bank of every customer group.

Turkey’s largest private bank in terms of asset size, İşbank serves its customers in corporate, commercial, retail, and private banking segments through its extensive branch network and stable deposit base.

İşbank:

- ranked 75th based on the results of the “Top 500 Banking Brands” released by “The Banker” magazine in association with “Brand Finance Plc.”, having the highest rank among the Turkish banks that were named in the list.
- ranked 103rd in the “Top 1000 World Banks” list prepared by “The Banker” magazine, based on year-end consolidated financial statements of banks, thus capturing the leadership among Turkish banks.

İşbank’s large scale and perfect service delivery strength is defined by its extensive service delivery network that consists of:

- 23,944 employees,
- 1,127 domestic and 15 international branches,
- 4,137 ATMs.

The financial participations operating in a variety of business lines from investment banking to portfolio management and from leasing to private pensions make İşbank’s ability to supply banking products and services unchallenged.

Also during 2010, İşbank continued to further improve the diversity of its products and services offered via alternative delivery channels and to consistently grow transaction volumes.

In addition to having contributed to the growth and development of the industrial sector as well as of the financial services sector in Turkey ever since it was founded, İşbank has also pioneered the establishment and growth of many new industries in the country. İşbank today controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors.

As of 2010 year-end, 32.62% of İşbank’s capital is on free float and its shares are publicly traded on the Istanbul Stock Exchange.

# Independent Auditors' Compliance Opinion on Annual Report

To the Shareholders of Anadolu Hayat Emeklilik Anonim Şirketi,

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

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

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

Istanbul,
9 March 2011

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Filiz Demiröz
Partner

# Information on Management and Corporate Governance Practices

# Board of Directors and Statutory Auditors

**Mahmut Magemizoğlu**
Chairman of the Board of Directors

**Salih Kurtuluş**
Vice Chairman of the Board of Directors

**Mete Uğurlu**
Director and CEO

**Dr. A. Yavuz Ege**
Director

**Yalçın Sezen**
Director

**Ömer Karakuş**
Director

**A. Erdal Aral**
Director

**Emre Duranlı**
Director

**Nilgün İskender**
Director

**Hüseyin Yağcı**
Statutory Auditor

**Engin Ekşi**
Statutory Auditor

**Tümay Oskay**
Secretary of the Board

**Mahmut Magemizoğlu**
Chairman of the Board of Directors
1959, Antakya. He holds a degree in Business Administration from the Middle East Technical University and a master's degree in investment analysis from the University of Stirling (UK). He began his career at İşbank in 1982 as an Assistant Inspector and served as a Section Head from 1999 until 2005 in the Equity Participations Department. Appointed the Chairman of the Board of Directors at Anadolu Hayat Emeklilik on 19 June 2009, Magemizoğlu also serves as Deputy Chief Executive of İşbank since 18 May 2005.

**Salih Kurtuluş**
Vice Chairman of the Board of Directors
1947, Kalkandelen. He graduated from İstanbul Private School of Journalism. He started his professional career at İşbank in 1974 as a Trainee Officer and was elected a Board Director at İşbank on 31 March 2005. On 25 August 2008 he was assigned as an Advisor to the Board of the bank and he retired on 31 March 2008. Mr. Kurtuluş represented İşbank as a Board Director at Anadolu Hayat Emeklilik (2001-2005), Anadolu Sigorta (30 March 2005-25 April 2005), Derya Dış Ticaret (1992-1994), Paşabahçe Cam Sanayi (1995-2001), and Ülkü Kırtasiye (06 February 1992-13 April 1992). Salih Kurtuluş was reelected as a Board Director at Anadolu Hayat Emeklilik on 24 October 2008.

**Mete Uğurlu**
Director and CEO
1955, Ankara. He received his degree in Business Administration from the Middle East Technical University, Faculty of Administrative Sciences. He joined İşbank in 1978 as an Assistant Specialist where he worked at various levels in the Organization Department and Information Technology Department, and was appointed as a Deputy Chief Executive Officer in 2002. He held a membership on the Board of Directors of Anadolu Sigorta between 1991-2002; functioned as the Chairman of the Board of Directors of İş Kültür Yayınları between 2002-2003 and of İş Girişim Sermayesi between 2003-2006. While he was serving as the Deputy Chief Executive Officer of İşbank, he was appointed as the CEO of Anadolu Hayat Emeklilik on 31 January 2006.

**Dr. A. Yavuz Ege**
Director
1947, Gemlik. He graduated from the Department of Finance and Economics of the Faculty of Political Sciences at Ankara University. He received his master and Ph.D. degrees from the Department of Economics at the University of Kent in the United Kingdom. He served for a long time at the State Planning Organization as a Specialist, Advisor, Head of Annual Programs Department, Head of Economical Planning and Deputy Undersecretary. He served as a member of the Turkish Competition Board and as the Undersecretary of Foreign Trade between 1997-1999. He served as the Chairman at the boards of Eximbank, Export Promotion Center and Güven Sigorta (Insurance). Between 2000-2001 he administrated GAP (Southeast Anatolia Project) (2002-2010) Development Plan as Project Director. He taught "Economic Policy and Planning" and "Monetary Theory and Policy" at the Faculty of Political Sciences at Ankara University. He served as a Board Director of İşbank between 2003-2008. Dr. Ege has been a Board Director at Anadolu Hayat Emeklilik since 30 April 2008.

**Yalçın Sezen**
Director
1965, Kemalpaşa/İzmir. He holds a degree in Public Administration from the Middle East Technical University. He started his business life at İşbank as an Assistant Inspector at the Board of Inspectors in 1987. He functioned as an Assistant Manager at the Deposits and Banking Services Department of that bank between 1998-2001, where he was appointed as Group Head at the same department in 2001. He was the Group Head at the Retail Banking Marketing and Deposits Department between 2001-2003 and at the Corporate Marketing Department between 2003-2005. He was appointed as Manager to the Retail Banking Marketing Department in 2005. He functioned as an Auditor at Anadolu Sigorta between 1998-2001, and held memberships on the Boards of Directors of Gemport between 2001-2005 and of İş Kültür Yayınları between March-July 2005. Mr. Sezen has been a Board Director at Anadolu Hayat Emeklilik since 27 July 2005.

**Ömer Karakuş**
Director
1965, Gümüşhane. He got his degree in Public Administration from Gümüşhane Gazi University. After joining İşbank in 1988 as an Assistant Inspector Trainee, he has been appointed as a Manager to the Human Resources Department in 2008, a position he currently holds. Elected to a seat as a member on the Board of Directors of Anadolu Hayat Emeklilik A.Ş. at the General Assembly of Shareholders convened on 29 March 2010, Mr. Karakuş also serves as the Chairman of the Ethics Committee of the Banks Association of Turkey.

**A. Erdal Aral**
Director
1967, İstanbul. He received his degree from the Department of Economics (English) from the Faculty of Economic and Administrative Sciences at Marmara University. Having started his career at İşbank in 1989 as an Assistant Inspector on the Board of Inspectors, he served in the Organization Department from 1995 through 1996. He was appointed to the Treasury Department in 1997 as an Assistant Manager. He pursued master's studies in international banking at the Loughborough University of Technology in the UK in 1997 and 1998. Assigned to the Treasury Department as a Group Manager in 2000, Aral became a Manager in the same department in 2002. He has been serving as the Manager of Kozyatağı Corporate Branch since 30 April 2008, and as the Board Director at Anadolu Hayat Emeklilik since 25 July 2008.

**Emre Duranlı**
Director
1972, Düsseldorf, Germany. He got his degree in Business Administration in English from Hacettepe University, Faculty of Economics and Administrative Sciences. He started his career at İşbank as an Assistant Inspector at the Board of Inspectors in 1996, where he was appointed as an Assistant Manager to the Subsidiaries and Affiliates Department in 2004. Currently the Capital Market Unit Manager in the Equity Participations Department at İşbank, Mr. Duranlı served as a Member on the Audit Committee of Anadolu Hayat Emeklilik between 2005-2006 and was elected as a Board Director on 27 March 2006. Serving as a member of the Audit Committee and a member of the Corporate Governance Committee at Anadolu Hayat Emeklilik, Mr. Duranlı is the Board Director responsible for Internal Systems at Anadolu Sigorta; Board Director responsible for risk management at Milli Re, İş Yatırım and İş Portföy Yönetimi; and serves as a Board Director at Yatırım Finansman, İş Girişim Sermayesi, İş Yatırım Ortaklığı and Avea.

**Nilgün İskender**
Director
1956, Trabzon. She holds a degree in Economics from İstanbul University. She began her career at İşbank in 1978 as a clerk, where she subsequently worked as a Branch Manager and regional manager. Presently serving as the Sales Manager of Private Banking at the same bank, Nilgün İskender has been elected as a Board Director at Anadolu Hayat Emeklilik on 26 March 2009.

**Hüseyin Yağcı**
Statutory Auditor
1959, Güdül/Ankara. He holds a degree in Statistics from the Middle East Technical University. He started his career at İşbank in 1985 as an Assistant Inspector, where he currently serves as the Branch Manager of Beşiktaş Branch. Hüseyin Yağcı has been elected as a Board Director at Anadolu Hayat Emeklilik on 26 March 2009.

**Engin Ekşi**
Statutory Auditor
1976, Karasu/Sakarya. He received his degree in Business Administration from İstanbul University. He began his career as an Assistant Inspector at İşbank in 2000 and has been appointed as an Assistant Manager to the Equity Participations Department in 2008, in which position he still serves. Elected as a Statutory Auditor of Anadolu Hayat Emeklilik A.Ş. at the General Assembly of Shareholders convened on 29 March 2010, he functions as a Statutory Auditor also for Millî Reasürans T.A.Ş., Anadolu Anonim Türk Sigorta Şirketi, İş Yatırım Menkul Değerler A.Ş., İş Portföy Yönetimi A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Yatırım Ortaklığı A.Ş. Mr. Ekşi also serves as a member on the Boards of Directors of Mipaş Mümessillik İthalat İhracat ve Pazarlama Dağıtım A.Ş. and Trakya Yatırım Holding A.Ş.

**Tümay Oskay**
Secretary of the Board

**Information on Board of Directors Meetings**
During 2010, the Company's Board of Directors held 12 meetings, six of which were convened with full participation of the members. In six other meetings, full participation could not be achieved due to justified excuses of our Board Directors. Of the six meetings that were held without full participation, five were convened in the absence of one Director, and one was convened in the absence of two Directors.

# Executive Committee (*)

**Mete Uğurlu**
Director and CEO
1955, Ankara. He received his degree in Business Administration from the Middle East Technical University, Faculty of Administrative Sciences. He joined İşbank in 1978 as an Assistant Specialist where he worked at various levels in the Organization Department and Information Technology Department, and was appointed as a Deputy Chief Executive Officer in 2002. He held a membership on the Board of Directors of Anadolu Sigorta between 1991-2002; functioned as the Chairman of the Board of Directors of İş Kültür Yayınları between 2002-2003 and of İş Girişim Sermayesi between 2003-2006. While he was serving as the Deputy Chief Executive Officer of İşbank, he was appointed as the CEO of Anadolu Hayat Emeklilik on 31 January 2006.

**Mehmet Uğur Erkan**
Deputy Chief Executive Officer
1964, Ankara. He holds a degree in Economics from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started his business life as an Assistant Inspector at the Board of Inspectors of İşbank in 1986. He has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 14 July 2003.

**Engin Murat Yüksel**
Deputy Chief Executive Officer
1954, Ankara. He holds a degree in Business Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started working as a Software Specialist at the Organization Department of İşbank in 1978. He has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 1 June 2005.

**Oğuz Haluk Solak**
Deputy Chief Executive Officer
1963, Balıkesir. He holds a degree in Business Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started his career as an Assistant Inspector at the Board of Inspectors of İşbank in 1986. He has been appointed as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik on 18 November 2006, a position he still holds.

**Orhan Bozkurt**
Deputy Chief Executive Officer
1956, Rize. He is a graduate of Galatasaray School of Economics and Business Administration of İstanbul Academy of Economic and Commercial Sciences. He started working as an Assistant Inspector at Anadolu Sigorta in 1982. He has been serving as the Company's Deputy Chief Executive Officer since 12 June 2007.

**Ayhan Sincek**
Coordinator
1970, Kütahya. He holds a degree in mathematics from the Middle East Technical University, Faculty of Arts and Sciences. He started his insurance career in 1997 as an Assistant Actuary at the T.R. Prime Ministry Undersecretariat of Treasury, Insurance Supervision Board, where he was promoted to the position of Actuary in 2000. He completed his master's degree in the Actuarial Science Department in Boston University, USA, between 2002-2004. He started his first experience in the private sector as a Deputy Chief Executive Officer of Credit Europe Life Insurance Company, where he served from 2007 until 2010. Mr. Sincek has been functioning as a Coordinator at Anadolu Hayat Emeklilik since 01 March 2010.

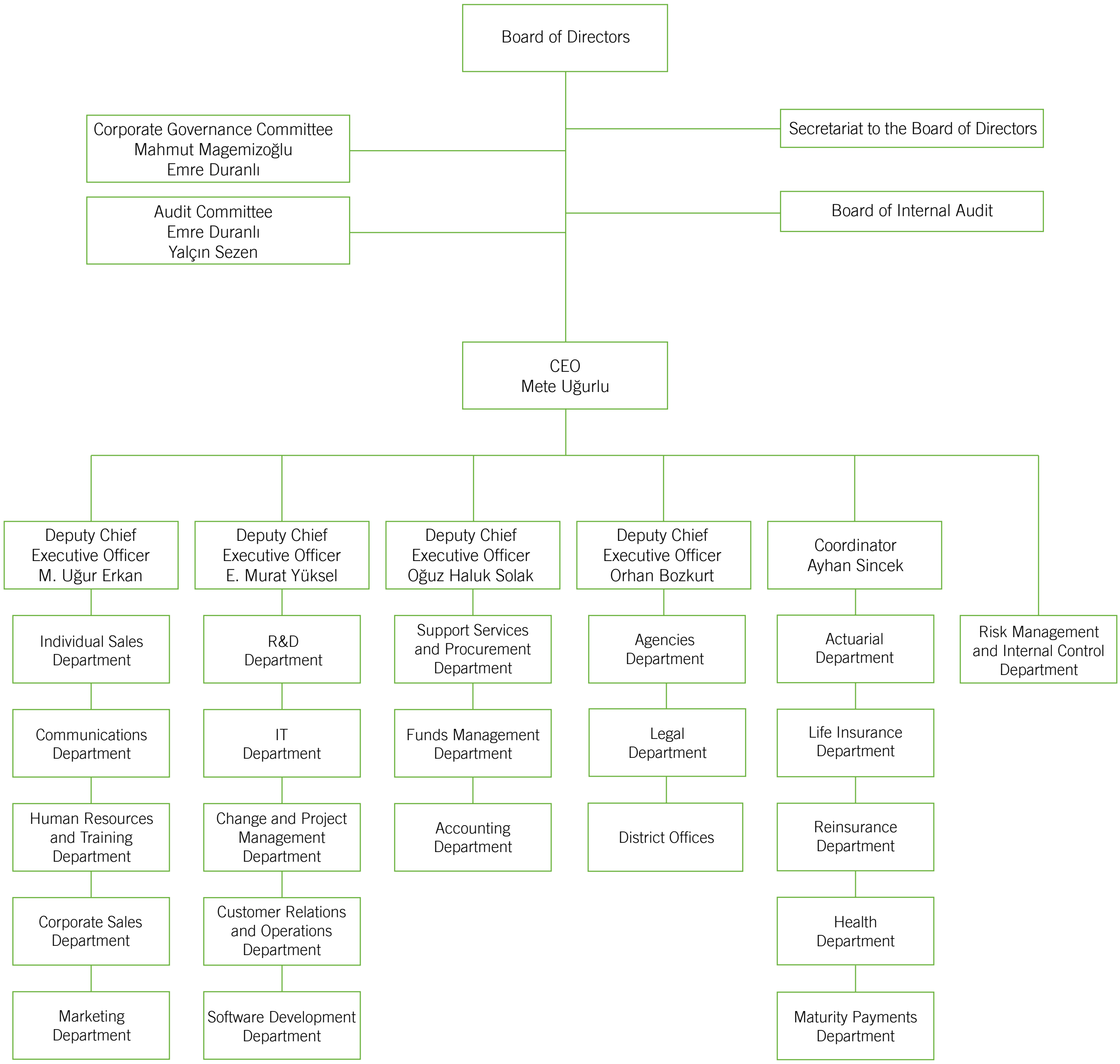
(*) M. Afşin Oğuz, Deputy Chief Executive Officer, retired on 31 July 2010.

# Managers Responsible from Internal Systems

**Mehmet Selahattin Bayraktaroğlu**
Head of the Board of Internal Audit
M. Selahattin Bayraktaroğlu was born in 1969 in Artvin. He holds a degree in public administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started working as an Assistant Internal Auditor at Anadolu Hayat Sigorta in 1994. At the İstanbul 2nd. Regional Directorate, he functioned as an Assistant Manager between 2001-2006 and then as a Manager from 2006 onwards. He was appointed as the Head of the Board of Internal Audit on 12 June 2007, a position he still holds.

**Mehmet Tolga Oskay**
Risk Management and Internal Control Department
1971, Ankara. He holds a degree in public finance from the Faculty of Political Sciences at Ankara University. He joined Anadolu Hayat Sigorta in 2000 as an Assistant Internal Auditor. He has been functioning as an Assistant Manager at the Risk Management and Internal Control Department since 2008.

# Organization Chart



# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Committee's Assessment of the Members of the Board of Directors

All of the Members of the Board of Directors other than the one who is company CEO are non-executive directors.

The positions of Chairman and CEO are held by different individuals.

Inasmuch as our company has no ultimate non-corporate controlling shareholders, it is believed that the Members of the Board are naturally able to act with complete independence and have the advantage of being able to act impartially in their decisions by holding the interests of the company and of its stakeholders above everything else.

The Board of Directors meets regularly as scheduled in advance and at least once a month. It may also convene at any time that circumstances may warrant without being bound by its schedule. The Board of Directors met twelve times during 2010. It is an accepted principle that company Directors will attend every meeting.

Before the conclusion of a regular Board meeting, the date of the next meeting is set. Written notifications of upcoming meetings are also sent out to Members. Meeting dates are planned so as to make it possible for all Members to be in attendance and Board Directors are generally held with all Members in attendance unless exceptional circumstances dictate otherwise.

Board meeting agendas are drafted by the CEO and finalized in line with the suggestions of the Chairman and other Members.

Information and documents pertaining to the issues on a board meeting's agenda are made available for Members to study at least seven days in advance of the meeting date. In situations where this is not possible, every effort is made to ensure that each Member has equal access to the same information.

Each Member of the Board has a single vote. No Member has a preferential voting right or the power to force a decision or cast a veto of any kind.

As specified in the company's articles of incorporation, the Board of Directors convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

Under the company's articles of incorporation the Board of Directors is empowered to:
- Establish and revoke agencies, branches, and representatives and determine the conditions thereof;
- Act as a proxy, lead insurer, representative, or agency of other insurance and reinsurance companies;
- Determine the dates on which the company will begin or cease to engage in the business of private pensions and other insurance branches;
- Determine the principles of pension contracts, and insurance and reinsurance contracts;
- Enter into and terminate any and all kinds of reinsurance agreements;
- With respect to the businesses of private pensions and insurance: establish companies and join companies that have been or will be established for such purposes;
- Set up private pension investment funds;
- Resort to amicable settlement, acquittal and arbitration;
- Acquire and sell movable and/or immovable properties for achieving the company's objective and for securing interest income on the capital and reserves; get construction done; obtain a loan through creating an attachment on the company's immovable properties; create and revoke any and all kinds of real rights.

In addition to these primary functions, taking the opinions and suggestions of executive organs and committees the Board of Directors is also empowered to fulfill such responsibilities as:
- Approving the company's annual budget and business plans;
- Having the company's annual reports prepared and finalizing them for submission to a general meeting;
- Ensuring that general meetings are held in accordance with the requirements of laws and regulations and of the company's articles of incorporation;
- Carrying out the decisions of general meetings;
- Approving managers' career plans and reward schemes;
- Specifying policies concerning relations with company shareholders, stakeholders, and the public at large;
- Specifying policies concerning public disclosures by the company;
- Specifying rules of ethics for the company and its employees;
- Specifying the working principles of company committees and ensure that committees function effectively and productively;
- Taking measures to ensure that the company's organizational structure is capable of responding to the conditions of the day;
- Examining the activities of any predecessor Board of Directors.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Committee's Assessment of the Members of the Board of Directors

The company's Board consists of nine Members and this number makes it possible for the Board's activities to be organized effectively.

Because they represent corporate entity shareholders, Members of the Board of Directors are not required by law to be shareholders in the company on account of their duties as company Directors.

The requirement of Directors to entrust shares of stock to the company is fulfilled by the corporate entity shareholders that the Directors represent.

The amount of company shares held by the Board Directors is negligible.

While there are no specific rules governing Directors' undertaking duties outside the company, no Board Directors at this time have any duties outside the company other than the ones that are naturally incumbent upon them in the organizations that they represent on the Board.

In the conduct of their decision-making duties, Members of the Board of Directors are guided by the fundamental principles of:
- Increasing the market value of the company as much as possible
- Ensuring that the company's activities are carried out in such a way as to secure long-term, steady gains for our shareholders
- Maintaining a careful balance between Shareholders' interests and the company's need to grow.

In the formation of the Board of Directors, particular attention is given to the following matters:
- Candidates should be present at the general meetings at which elections are to be held to fill seats on the board.
- Shareholders are provided with pertinent information about candidates.
- Shareholders are allowed to put questions to candidates.
- At general meetings, shareholders are informed about what duties candidates for seats on the board undertake on the boards of directors of other companies and whether or not the conduct of such duties on their part complies with our own company's own rules and regulations.

Newly-elected Members of the Board of Directors are given an orientation program that includes at least the following:
- Visits to company units and a chance to meet with management personnel
- A chance to review the career backgrounds and performance evaluations of management personnel
- Details about the company's strategic goals and current standing and problems
- Information about the company's market share, financial structure, and performance indicators.

As required by laws and regulations, a company CEO must hold at least a bachelor's degree and have at least ten years' of experience in insurance or business administration.

At least a simple majority of the Board's membership must possess the same qualifications required of a CEO save for that of length of professional experience.

In addition to these qualifications, members of the Board of Directors must also possess:
- A satisfactory level of knowledge and skill on the subject of banking and insurance
- Skill in reading and analyzing financial statements and reports
- At least basic knowledge about the legal framework by which the company is governed as well as general market conditions
- The ability and the willingness to attend board meetings regularly during the term of office to which they are elected.

Members of the Board of Directors devote a sufficient amount of their time to our company's affairs and they exercise their authorities prudently and within the framework of the rules of good faith and they are fully possessed of all the knowledge needed to ensure they are able to completely fulfill their duties.

The Board of Directors has taken measures as necessary to prevent confidential information about our company and/or information that is in the nature of a trade secret from being divulged outside the company.

Corporate Governance Committee

# Anadolu Hayat Emeklilik A.Ş.

## Active Committees

### CORPORATE GOVERNANCE COMMITTEE

#### Objectives

To monitor the company's compliance with corporate governance principles and to engage in activities and make recommendations to the Board of Directors to improve such compliance.

#### Members

| | |
|---|---|
| Mahmut Magemizoğlu | Chairman of the Board of Directors (Head) |
| Emre Duranlı | Director (Member) |

#### Structure

The Corporate Governance Committee is formed by the Board of Directors within the framework of corporate governance principles, with priority given to members selected from within its own body. When deemed to be necessary, individuals who are not company directors but who have expertise in particular matters may be given duties on the committee. No CEO may be a member of this committee.

The Corporate Governance Committee must consist of at least two members. Committee members must be non-executive directors.

In principal, the term of office of the Corporate Governance Committee is coeval with that of the Board of Directors except that if any changes take place in the latter, the committee remains constituted until the completion of its existing term.

Insofar as is possible, the committee convenes in parallel with the Board of Directors. Committee decisions are taken by a majority vote. The head of the committee keeps the board of directors informed about the committee's activities.

#### Activities

The principal activities of the Corporate Governance Committee consist of the following:

- Determines whether or not corporate governance principles are being complied with at the company and, if they are not being complied with, identifies the reasons why and also any conflicts of interest arising from less than full compliance; makes recommendations to the Board of Directors to improve corporate governance practices.
- Coordinates the activities of the Investor Relations Unit in its dealings with shareholders.
- Engages in activities to formulate a transparent system for the identification, evaluation, and training of suitable candidates for seats on the Board of Directors and determines policies and strategies related to such matters.
- Develops recommendations concerning the number of Board Directors and managers there should be (CEOs, deputy chief executive officers, managers, assistant managers; personnel such as consultants and others who are directly responsible to the chairman or CEO).
- Identifies approaches, principles, and practices on issues related to the performance evaluation, career planning, and rewarding of company directors and managers and monitors compliance with them.

# Anadolu Hayat Emeklilik A.Ş.

## Active Committees

### AUDIT COMMITTEE

#### Objectives
To monitor the operation and effectiveness of the company's accounting system, public disclosure of financial information, and independent auditing.

#### Members

| | |
|---|---|
| Emre Duranlı | Director |
| Yalçın Sezen | Director |

#### Structure
The Audit Committee is formed by the Board of Directors within the framework of corporate governance principles from among members of its own body.

The Audit Committee must consist of at least two non-executive directors. Two company officers designated by the Board of Directors are responsible for coordinating activities between the committee and the company.

The term of office of the Corporate Governance Committee is coeval with that of the Board of Directors. The committee meets at least once every three months. Committee decisions are taken by a majority vote.

The Board of Directors is kept regularly informed about the committee's activities.

#### Activities
The principal activities of the Audit Committee consist of the following:

- Checks periodic financial reports that are to be publicly disclosed for their compliance with the requirements of applicable laws and regulations and with international accounting standards and reports its findings to the Board of Directors along with the opinions of the independent auditor.
- Takes measures as necessary to ensure that all internal and external auditing is conducted adequately and transparently.
- Monitors the functioning and effectiveness of the company's accounting system, of the public disclosure of financial information, of independent auditing, and of the company's internal control system; monitors the selection of an independent auditor, the preparation of independent auditing agreements, the initiation of the independent auditing process, and all aspects of the activities of the independent auditor.
- After having determined that there is no issue impairing the independence of a potential independent auditor and so stated in a report, gives its preliminary approval for the selection of independent auditors and for the services to be obtained by the company from them and submits this recommendation and report to the Board of Directors.
- Examines and finalizes any complaints made to the company concerning its accounts, its internal control system, or its independent auditing; ensures that company employees examine such complaints within the framework of the principle of confidentiality.
- Monitors compliance with company policies and regulations governing conflicts of interest on the part of company directors, managers, and other employees and the abuse of insider information.

# Anadolu Hayat Emeklilik A.Ş.

## Audit Committee's Assessment of the Operation of the Independent Auditor, Internal Control, Internal Audit and Risk Management Systems

### Independent Auditor

Periodic financial reports are prepared within the framework of current laws and regulations and insurance accounting standards in such a way as to show the company's true financial standing. Such reports are independently audited and publicly disclosed as prescribed by law.

The company's independent auditor is rotated at regular intervals. In this respect, the company abides by the provisions of the "Regulation on Independent Auditing in Insurance, Reinsurance and Pension Companies" dated 12 July 2008 and numbered 26934.

External audits at our company are performed on an entirely independent basis and its external auditors operate completely within the framework of truthfulness, professional honesty, and candor and without any involvement in a conflict of interest whatsoever. No payments are made to any independent auditor in our employ other than such fees as are reasonable in light of existing market conditions.

The factors that strengthen the independence of firms from which we obtain independent auditing services are: the existence of an Audit Committee, the possession of an effective accounting and internal audit system, and adherence to rules of ethics that give importance to truthful public disclosure of company-related matters.

### The Board of Internal Audit

The Board of Internal Audit at Anadolu Hayat Emeklilik A.Ş. reports directly to the Board of Directors and is organized independently in administrative terms. The Board carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies that was issued on 21 June 2008.

The Board of Internal Audit reports on all units at the headquarters, regional departments, and branches at least once a year, and on all agents at least once in three years. Also steps are taken to upgrade audit activities on the basis of International Internal Audit Standards and to make them more risk-based and compatible with current conditions.

### Risk Management and Internal Control Department

Anadolu Hayat Emeklilik A.Ş. measures, monitors, oversees and reports financial and non-financial risks as a whole, as well as the risks arising from insurance underwriting and private pension activities to which the company is exposed owing to the risk policies and related implementation procedures defined by the Risk Management and Internal Control Department.

The Department is also assigned with vesting internal control activities in a healthy, robust and effective structure that function within the frame of applicable legislation and international norms, and with controlling and reporting on the efficiency of the controls in relation to the company's operations.

Risk Management and Internal Control Department is also responsible for monitoring the execution of the transactions subject to the legislation issued by the Financial Crimes Investigation Board (in Turkish: MASAK) in accordance with the same. Serving as Compliance Unit pursuant to the "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism", the Department carries out the necessary works to ensure familiarization with legal and administrative obligations with respect to the combat against the laundering of proceeds from crime and financing of terrorism, and to achieve compliance with the relevant legislation published.

The Audit Committee

# Anadolu Hayat Emeklilik A.Ş.

## Summary Report of the Board of Directors for the General Assembly of Shareholders

Dear Shareholders,

It is espoused as the basic philosophy of our company to offer customer-focused service achieving excellence in every aspect before its shareholders, investors and customers drawing on its structure encompassing the best practices of modern private pension and life insurance businesses; on its history, capitalization, transparent organization, and its corporate values giving the foreground to customer satisfaction, innovation and creativity; the ability to put its resources and new technologies to use towards increasing productivity; maximum involvement in social activities by a strict commitment to its social responsibilities in its activities and actions, and belief in and support to entrepreneurial team spirit.

Our company has also defined it as its primary goal to carry its leadership in life insurance to the private pension segment regarded as a crucial part of the social security system capitalizing on the know-how and capital accumulation gained in the life insurance segment, and on the strength lent to it by the İşbank group, to which we belong, in line with the corporate culture and objectives of the group. It is also a key objective of the company to maintain its leadership in life insurance in the years to come and to render market leadership in private pension segment permanent by fortifying its position among the leading financial services companies of the capital market as the only publicly-floated company in the system.

The year 2010 saw continued recovery of the global economy and the Turkish economy, as well as increased positive expectations for the future. Significant regulatory arrangements in life insurance and private pension sectors remained on the agenda and activities directed towards new product development tailored to customer needs, diversification of distribution channels and upgrading the service quality in view of the ongoing competitive environment continued to take place among priority topics for companies.

Based on 2010 full-year data, premium production in life insurance registered a year-on increase by 20% to reach TRY 2,181 million. Of this production figure, which corresponded to 15% of the total premium production in the overall insurance sector, 86% has been generated by the top 10 companies in the sector.

Having completed its seventh year in October 2010, the Private Pension System has come close to the 2.3 million mark in the number of participants as of 07 January 2011, while total funds of participants amounted to TRY 12,142 million. The total contributions in the sector as at the said date are announced as TRY 9,566 million.

- Having concluded its activities in 2010 successfully, our Company posted TRY 71.4 million in net profit and reached total assets worth TRY 5,299 million in the same period.
- According to December 2010 data, premium production in life/non-life insurance amounted to TRY 357 million.
- In 2010, our Company became the leader in total funds, in addition to its existing leadership in the number of participants in the private pension system, and succeeded in being the first pension company to reach 500,000 participants. 557,276 private pension contracts were issued for 506,807 participants and TRY 1,982 million were collected in contributions according to the Pension Monitoring Center (PMC) data dated 07 January 2011.
- Our company derived TRY 13.9 million and TRY 13.1 million technical profit on its activities in life branch and private pension branch, respectively, in 2010. With these results, the Company increased its overall technical profitability by a significant 43% on a year-on-year basis.
- With a view to increasing the fund options offered to our private pension participants and to expand our target audience so as to cover interest-sensitive customer segments, two new pension funds have been registered by the Capital Markets Board of Turkey as of 11 October 2010, and were put on sale subsequently.
- PPS+Protection Insurance policy was introduced on 18 October 2010, which is a long-term life policy that provides cover for the contributions, paid by private pension customers in order to become entitled to pension, in the case of death or disability.

# Anadolu Hayat Emeklilik A.Ş.

## Summary Report of the Board of Directors for the General Assembly of Shareholders

- In 2010, the Company reached an agreement with Albaraka Türk Participation Bank Activities are ongoing to maintain the cooperation among, and increase the efficiency of, more than 2000 branches of İşbank, HSBC, Anadolubank, TSKB, BankPozitif and Albaraka Türk Participation Bank and nearly 300 private agencies.

- The "Information Security Management System" and portal have been established based on ISO 27001 standard. An Information Security Committee has been set up for coordinating the Information Security Management efforts carried out across the Company.

- In order to upgrade the level of service offered to policyholders and sharpen our competitive edge, planning and implementation processes are managed on the basis of generally accepted project management principles with a view to responding to all arising business needs through the most compatible technologies.

- Within the frame of risk management activities, the Risk Management and Internal Control Department continued to issue quarterly "Risk Assessment Reports", biannual Internal Control Reports, Market Risk Monitoring Reports and to undertake "Value at Risk" computations on a daily basis.

- Conducted since 2005 in conjunction with the Association for Supporting Contemporary Living (ÇYDD) to help support 500 girl students, the social responsibility project "Girls: The Insurance of our Future" currently goes on with 182 students, with the addition of 100 new students this year.

Our Corporate Governance Principles Compliance Report and the financial statements for 2010 are presented on the following pages for your information and approval.

We would like to take this opportunity to express our gratitude to our founder İşbank and our other shareholders, our private pension and life insurance policyholders and our agents, all our production sources and all our employees for their contributions that made the results achieved possible.

Board of Directors

# Anadolu Hayat Emeklilik A.Ş.

## Human Resources Policy

Our company defines and conducts its human resources policy in light of our country's social, cultural, and economic conditions and with the following objectives:

a) Ensure that personnel are selected and assigned according to the nature of the work to be done and provide work opportunities to individuals who are innovative, creative, and capable of being team players and who can keep pace with the highly competitive nature of the insurance business.
b) Encourage employee success; provide training opportunities that increase employee knowledge and skills; reward successful performance.
c) Employ only objective criteria in all training, appointment, and promotion decisions; provide personnel with development and progression opportunities according to their abilities.
d) Provide personnel with working conditions that are safe and appropriate to the task at hand; provide a working environment that enhances employees' desire to work and is conducive to social interaction.
e) Be mindful of and protect the rights of personnel; take measures to prevent discrimination among employees based on race, religion, language, or sex; create a working environment that is respectful of human rights; and prevent all physical, mental, and emotional abuse within the company.
f) Maintain a human capital that is sophisticated in outlook, successful, happy, continuously learning, developing, and committed to both job and company.
g) Establish effective talent development and succession systems and maintain employee satisfaction at the highest possible level in line with the company's goals so as to be the life insurance and private pension company that the qualified human resources most want to work for in the sector.

### HIRING PRACTICES

The general principles and criteria adhered to by Anadolu Hayat Emeklilik in all its hiring practices are summarized below. To be hired by the company, a person must:

a) Be a citizen of Turkey.
b) Be at least 18 and not more than 30 years of age.
c) Have completed any active military service obligations if applicable or have obtained a deferment.
d) Not have been deprived of their civil rights.
e) Never have been convicted of any of the offenses specified in insurance and private pension system law, whether or not officially pardoned.
f) Be healthy enough to work and travel anywhere in Turkey.
g) For service positions, hold at least a high-school diploma. For white-collar positions, be a graduate of at least a two-year vocational school as defined in the applicable legislation, or of four-year faculties.
h) Be under no service obligation to any government agency or private concern.
i) Successfully pass the qualifying examination and/or interview for the position being hired into.

### JOB APPLICATIONS

Since the day it was founded, it has been a fundamental tenet of Anadolu Hayat Emeklilik's human resources policy as a company to fill vacancies in management positions from within its own ranks. Because of this, the company only recruits personnel from outside for entry-level positions. Whenever openings in such positions are available, they are announced on the company's internet website and in newspapers. Applications for such positions may be submitted by mail, by fax, in person, and from the website. All applications that are received are placed in a single pool. The company's Human Resources and Training Department is responsible for receiving all job applications, conducting written and/or oral exams, announcing exam results, and all other recruitment-related matters.

### PROGRESSION

Advancement to positions in our company's organizational structure (manager, assistant manager, 2nd manager, service chief, assistant service chief, clerk, specialist, assistant specialist, internal audit, and assistant internal audit) is governed by the company's related bylaws. The following general principles apply to all advancements.
To be promoted to a higher position:

- an employee must have served for the minimum periods of time specified by headquarters in his current position;
- the employee must have a good record capable of supporting his promotion;

# Anadolu Hayat Emeklilik A.Ş.

## Human Resources Policy

- there must be a vacancy to which the employee can be promoted.
- the employee must have successfully completed whatever course, examination, thesis, project, or similar qualifying requirements that the company requires for the position.

### PERFORMANCE MANAGEMENT

Performance appraisal system is in place at the company in order to measure the individual contribution of each employee in supporting the company towards achievement of its corporate objectives. In this frame, all company employees are evaluated once a year.

The performance appraisal system aims to establish objective criteria for the employees' career progressions and to determine their training needs.

### JOB SECURITY

Job security for our employees is provided under a collective bargaining agreement arrangement between the company and BASİSEN (Banking and Insurance Employees' Union).

### COMPENSATION POLICY

Employees' salaries are adjusted annually in accordance with current conditions and as specified in a collective bargaining agreement that is renewed every other year. Salaries are paid on the last day of each month. In addition to their regular monthly salaries, employees receive an annual bonus equal to five monthly salaries. In addition to salary and bonuses, personnel are entitled to a broad range of fringe benefits such as health insurance coverage, healthcare assistance, employer's contributions to the private pension system on the employee's behalf, personal life insurance, and company-provided transportation and lunchtime meals.

### TRAINING

#### AHE Academy

The company set up the AHE Academy in order to systematize the training and development activities directed towards our employees, by incorporating the cultural aspect as well.

Through the AHE Academy, the company invests in its human capital and aims to make the customer-focused culture permanent.

Anadolu Hayat Emeklilik supports its employees' professional and personal development, offers various activities that are aligned with their career paths and aim to equip its employees so as to enable them to look from different perspectives.

#### Training Programs

Company employees are provided with in-house and extramural training opportunities to foster their professional and personal development. National and international resources are made use of for these training programs.

As a company that fills management position vacancies from within its own ranks, special attention and importance are given to employee training.

When personnel are first hired, they are put through an orientation program and given training in basic insurance and private pension system issues. After this and for the rest of their careers, training is provided so that they have all the knowledge and skills they may need for whatever position they may be filling.

When preparing the annual training programs, the Human Resources and Training Department's primary goal is to develop employees' competencies in their current positions while also readying them for higher positions in the future.

# Anadolu Hayat Emeklilik A.Ş.

## Transactions Executed with the Risk Group in Which the Company is Included

Transactions Executed with the Risk Group in Which the Company is Included

Transactions with related parties as of the fiscal years that ended on 31 December 2010 and 31 December 2009 are presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Millî Reasürans T.A.Ş. - Premiums written, ceded | 664,308 | 576,598 |
| **Premiums written, ceded** | **664,308** | **576,598** |
| | | |
| Millî Reasürans T.A.Ş. - Commission income from reinsurers | 116,776 | 123,266 |
| **Commission income from reinsurers** | **116,776** | **123,266** |
| | | |
| Türkiye İş Bankası A.Ş. - interest income from deposits | 2,160,580 | 2,360,118 |
| **Investment income** | **2,160,580** | **2,360,118** |
| | | |
| İş Portföy Yönetimi A.Ş. - portfolio management fee | 144,150 | 277,208 |
| İş Portföy Yönetimi A.Ş. - investment consultancy fee | 157,500 | 65,625 |
| İş Portföy Yönetimi A.Ş. - secondary market operations of marketable securities | 88,737 | 74,461 |
| **Investment expense** | **390,387** | **417,294** |
| | | |
| Türkiye İş Bankası A.Ş. - commission of policy production | 15,964,133 | 11,656,458 |
| Türkiye İş Bankası A.Ş. - commission of premium collection and banking services | 1,126,192 | 1,353,278 |
| Anadolu Anonim Türk Sigorta Şirketi - premium paid | 908,839 | 575,143 |
| İş Portföy Yönetimi A.Ş. - portfolio management fee of pension funds | 9,634,293 | 7,218,212 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. - rent expense | 2,507,846 | 2,344,029 |
| Anadolu Anonim Türk Sigorta Şirketi - rent expense | 141,099 | 135,080 |
| **Other expenses** | **30,282,402** | **23,282,200** |

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our company believes that compliance with corporate governance principles is at least as important as its financial performance and that such compliance is of great benefit from the standpoints both of the development of national and international capital markets and of the advancement of our own company's interests.

Our company seeks to achieve maximum compliance with these principles and engages in activities to do so.

At present our company's articles of incorporation contain no provisions governing:

- Requests to have a special auditor appointed being granted as an individual right
- The payment of advances on dividends
- The participation of stakeholders in company management
- Use of the cumulative voting system in the election of company Directors
- Decisions of a highly important nature such as changes in shares or demergers that make significant modifications in the company's capital or management structures or assets; buying, selling, leasing, renting, donating, or contributing substantial amounts of assets and property; providing guarantees, surety, mortgages, and the like to third parties being taken at a general assembly of shareholders. Minority interests are not represented on our Board of Directors.

There have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented. The company desires to have such principles implemented within the framework of a plan in the least amount of time possible.

A determination and assessment of the level of our company's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

### 2. SHAREHOLDER RELATIONS UNIT

A Shareholder Relations Unit has been set up at our company.

The employees assigned to this unit and their contact information are presented below:

| Name | Telephone | E-mail |
|---|---|---|
| Oğuz Haluk Solak | (+90 212) 317 70 06 | yatirimciiliskileri@anadoluhayat.com.tr |
| N. Cem Özcan | (+90 212) 317 71 04 | yatirimciiliskileri@anadoluhayat.com.tr |
| Alper Eşsizoğlu | (+90 212) 317 71 06 | yatirimciiliskileri@anadoluhayat.com.tr |

The head of the unit is Oğuz Haluk Solak, who reports directly to the head of the Corporate Governance Committee.

The Shareholder Relations Unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors.

Efforts are underway to facilitate the reporting of the unit's activities to the Board of Directors.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that general assemblies of shareholders are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.
- Prepare documents for the use of shareholders at general assemblies of shareholders.
- Record the results of voting at general assemblies of shareholders and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the company's public disclosure policy.

The unit received no written requests during the reporting period and all of the verbal requests for information were responded to.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 3. SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

All information requested by shareholders is provided except that which is in the nature of a trade secret or has not been publicly disclosed.

Shareholders' requests for information are dealt with by employees of the Shareholder Relations Unit and responded to within the framework of the company's public disclosure policy. Requests in relation to keeping the shareholders informed are at times personally fulfilled by the company's Board of Directors and statutory auditors.

Information about developments that might affect shareholders' exercise of their rights is published on the company's corporate website at anadoluhayat.com.tr.

In accordance with legal regulations, minority shareholding interests have the right to demand that a general assembly of shareholders appoint a special auditor to examine specific concrete issues. No request was made of a general assembly by shareholders for the appointment of a special auditor in 2010.

A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. In view of the fact that the appointment of a special auditor at the demand of a general assembly of shareholders is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a general assembly of shareholders agenda and furthermore in view of the practical concerns involved in protecting the confidentiality of information which is in the nature of a trade secret or which has not yet been publicly disclosed, the inclusion of an individual right to demand the appointment of a special auditor in the articles of incorporation is an issue to which consideration will be given in light of future developments.

All information necessary for shareholders to satisfactorily exercise their rights is made available to them through our corporate website, annual or interim reports, and material event disclosures as well as by responding to individual requests.

Shareholders' requests for information about the legal and/or commercial relationships between the company and private individuals and/or corporate entities that have a direct or indirect interest in the company's capital, management, or audit are responded to within the framework of our public disclosure policy.

For the purpose of increasing the ability to have access to information, all information that may affect the exercise of their rights is provided to our shareholders in an electronic environment, in an up-to-date manner, and within the framework of the Public Disclosure Platform Project (KAP).

### 4. INFORMATION ABOUT GENERAL ASSEMBLIES OF SHAREHOLDERS

Our company's ordinary general meeting for 2009 was held on 29 March 2010. Shareholders controlling TRY 213 million worth of shares corresponding to 85% of our company's TRY 250 million capitalization took part in this assembly.

No members of the media attended the general meeting.

Announcements concerning the assembly and indicating its place, date, time, agenda, and specimen proxy statement were published three weeks before the assembly date in the Turkish Trade Registry Gazette, the newspapers Dünya and Referans, and in the ISE's bulletin.

Care is taken to ensure that this period of time is three weeks.

Information about the assembly was also sent out by registered mail to holders of registered shares within the same time frame.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

All shareholders are also able to directly access information about general assemblies on our company's corporate website at anadoluhayat.com.tr. Revamped by 2010, the company's website now offers online services in a more efficient and effective manner.

Entries in the shareholders' register are made by Board of Directors resolution. No period of time is stipulated during which such entries must be made in order to ensure that registered shareholders are able to attend general assemblies.

As of the date on which the announcement of the invitation to a general assembly of shareholders is made, copies of the annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of incorporation, and if the articles of incorporation are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the company's headquarters and regional offices.

Since 2005, such information and documents have also been accessible on our corporate website at anadoluhayat.com.tr.

No shareholders exercised their right to ask questions at the ordinary general meeting held in 2010.

Shareholders at the ordinary general meeting passed motions:
- To form the presiding committee
- To forego reading the annual report out loud on the grounds that it had previously been made available for the inspection of shareholders
- To read out loud the Company's Statutory Auditors' Report and Independent Auditor's Report,
- To read out loud the headlines of the balance sheet and income statement, deliberate on, and unanimously ratify the same,
- To unanimously approve individual release of the Company's Board directors and statutory auditors in relation to the Company's activities and operations in 2009,
- To accept the Board of Directors' proposal concerning the distribution of profits as stipulated in the annual report,
- To ratify by majority of votes the election made by the Board of Directors to the seat on the Board of Directors that was vacated by resignation during the reporting period,
- To ratify by majority of votes the election of the Board directors,
- To elect the statutory auditors,
- To approve the motions submitted for determination of the salaries to be paid to the Company's directors and statutory auditors.
- To retain unanimously Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the provision of independent audit service for the Company's 2010-2011-2012 fiscal years.

According to the company's articles of incorporation, the Board of Directors is authorized to make material decisions involving:
- The acquisition and disposal of subsidiaries and partnerships
- Matters of a highly important nature such as the acquisition, sale, and/or construction of real estate properties on the company's behalf.

The company's articles of incorporation contain no provisions requiring that decisions of a highly important nature such as demergers or share swaps that cause substantial changes in the company's capital, management structure, or property assets or buying, selling, leasing, renting, donating, or contributing substantial amounts of tangible/non-tangible assets or providing guarantees such as surety, mortgages, etc on behalf of outside parties be taken at a general assembly of shareholders.

The absence of such provisions in the articles of incorporation is thought to be justified on the grounds that their inclusion would reduce the effectiveness of management and seriously hamper the company's competitive strength and cause important opportunities to be missed and would therefore give rise to consequences that would not be in the best interests of the company or its stakeholders.

Our stakeholders are informed via the Public Disclosure Platform as and when decisions are passed in relation to the said matters.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general assembly of shareholders. It is thought that company shareholders encounter no difficulties in participating in general assemblies and to date no complaint on this issue has ever been received from a shareholder.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

In general assembly of shareholders announcements care is taken to clearly state:
- The date and time
- The location
- Specimen proxy statement
- Blockage Letter request
- The agenda
- Pertinent information about the items on the agenda
- If the agenda includes amendments to the articles of incorporation, the old and new texts of the amended articles that have been approved by authorities
- Who is summoning the assembly
- If another general assembly of shareholders is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new assembly
- If the announcement is for an annual assembly, where the annual report, financial reports, and other assembly-related documents are available for examination.

Before a general assembly of shareholders is held about changes in management or organizational activities that took place in the most recent fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

At such meetings, the following information and documents will be made available for the examination of shareholders:
- Explanations concerning changes in the company's organizational structure and their justifications
- If one exists, a consultancy company's report on the matter; otherwise a report on the subject prepared by the company itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial reports, and pro forma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing agendas for general meeting, care is taken to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with assembly announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the company's general assemblies of shareholders are presented below in main outline.
- Each share of stock is entitled to one vote.
- If a share of stock has more than one owner, such votes may be cast only by a proxy representing them all.
- Shareholders may participate in general assemblies personally or may have themselves represented by a proxy.
- Voting at general assembly of shareholders is by an open show of hands. Recourse may be had to secret ballots upon the demand of shareholders representing at least one tenth of the capital present and voting.

The principles and procedures that govern voting at general assemblies of shareholders are also read out at the beginning of the assembly.

Issues that shareholders have told the Shareholder Relations Unit they wish to have included on assembly agendas will be given consideration by the Board of Directors when it prepares an assembly's agenda.

As required by law and our articles of incorporation, annual general assemblies of shareholders are held as soon as possible and within three months after the close of a fiscal year.

As required by our articles of incorporation, general assemblies of shareholders are held in the same locality as the company's headquarters and in such a way as to make it possible for all shareholders to attend.

The total number of votes and the special voting rights that may be exercised at a general assembly of shareholders are classified on the basis of shareholders and indicated in the attendance roster at the start of the assembly for the information of all shareholders.

# Anadolu Hayat Emeklilik A.Ş.
## Corporate Governance Principles Compliance Report

News and analyses pertaining to disputed issues appearing in the media concerning the company are presented for the information of shareholders at general assemblies.

Questions that shareholders ask of company directors or statutory auditors are responded to provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The president of a general assembly of shareholders conducts the assembly effectively in such a way as to ensure that shareholders are able to exercise their rights.

In situations where a question raised by a shareholder at a general assembly cannot be addressed directly, is unrelated to the agenda, or is too complex to be responded to immediately, every effort will be made to provide a written response within one week's time at the latest.

The Board Directors, the company officers responsible for preparing the financial reports, and the statutory auditors as well as other involved parties participate in general assemblies of shareholders in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a general assembly of shareholders is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the assembly is adjourned.

The minutes of general assemblies of shareholders are always accessible in written or electronic format on our corporate website at anadoluhayat.com.tr.

### 5. VOTING RIGHTS AND MINORITY RIGHTS
According to our articles of incorporation, each share of stock is entitled to one vote.

Our company's capital is divided into Class A and Class B shares.

As of 31 December 2010, our company's issued capital amounts to TRY 250 million consisting of 100,000,000 Class A shares worth a total of TRY 1,000,000 and 24,900,000,000 Class B registered shares worth a total of TRY 249 million.

As required by our articles of incorporation, six of the Members of the Board of Directors are chosen from candidates put up by Class A shareholders and three are chosen from candidates put up by Class B shareholders.

According to our articles of incorporation, new Class A shares cannot be issued when share capital increases take place.

No shareholder is involved in a cross-shareholding relationship with the company.

In line with the wishes of our general assembly, there is no representation of minority shareholding interests on the Board of Directors. The articles of incorporation contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a general assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares are acquired.

Our articles of incorporation contain no provisions preventing non-shareholders from acting as proxies for shareholders. Shareholders may exercise their voting rights personally at general assemblies and may do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at general assemblies. If a corporate shareholder is represented by more than one individual at an assembly, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 6. DIVIDEND PAYMENT POLICY AND TIMING

According to our articles of incorporation, a portion of the company's distributable profit is paid out as a first dividend at rates and in amounts which are no less than those determined by the Capital Markets Board.

The Capital Markets Board has specified that dividend may be paid in cash and/or as shares of stock at the option of the general assembly of shareholders.

The dividend payment proposals that the Board of Directors submits to the general assembly of shareholders are prepared according to a policy that;

- avoids upsetting the delicate balance between shareholders' expectations and the company's need to grow, and
- takes the company's profitability into account.

The Board of Directors has adopted a dividend payment policy that is based on proposing to the general assembly of shareholders that at least 30% of net income subject to profit be paid out as free shares of stock or in cash.

There are no preferred stocks in the company's profit distribution.

There are no founder's shares nor is it a company practice to give shares of profits to Members of the Board of Directors.

As required by our articles of incorporation, a maximum of 3% of the total amount remaining after the first dividend has been set aside is paid out to our employees as their share of the profits, subject to a cap of three monthly salaries.

The company's dividends are paid within the legally prescribed periods of time.

The articles of incorporation contain no provisions governing the payment of advances on dividends.

There are no significant donations or grants in aid that the company made during the year or had planned to make as of year-end.

### 7. TRANSFER OF SHARES

In our articles of incorporation there are no clauses that restrict transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals are treated equally.

### 8. COMPANY DISCLOSURE POLICY

#### General issues

Our company's disclosure policies are governed by the Turkish Commercial Code, Insurance Law, Private Pension Law, Capital Market Law, and the rules and regulations of the İstanbul Stock Exchange where its shares are traded. All financial information and other public statements and disclosures are also made in light of generally accepting accounting principles and corporate governance principles.

The basic objective of the company's disclosure policy is to ensure that all essential information and statements that are not in the nature of trade secrets are made available to shareholders, investors, employees, customers, and other interested parties in an equitable manner and in a way that is timely truthful, complete, intelligible, convenient and economical.

Our company takes a proactive approach on the subject of adopting and abiding by corporate governance principles and it makes a maximum effort to comply with the requirements of law and to adhere to best international practices on issues related to public disclosures and reporting. The Anadolu Hayat Emeklilik disclosure policy that was prepared within this framework has been approved and put into effect by the Board of Directors.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

**Authorities and Responsibilities**

Disclosure Policy has been devised by the Board of Directors. At Anadolu Hayat Emeklilik A.Ş., the authority and responsibility for monitoring, overseeing and improving the public disclosure and information policy rest with the Board of Directors. The Shareholder Relations Unit is charged with the coordination of disclosure function. The authorized individuals working in the said unit fulfill their responsibilities in close cooperation with the Board of Directors and the executives responsible for financial management and reporting.

**The methods and vehicles used to make public disclosures within the framework of the Turkish Commercial Code, Insurance Law, Private Pension Law, Capital Market Law, and other laws, regulations, and administrative provisions are presented below:**

- At three-month intervals, financial statements together with their footnotes and explanations that have been prepared in accordance with the rules laid down by the Republic of Turkey Prime Ministry Undersecretariat of Treasury and by the Capital Markets Board (CMB) and the independent auditors report associated with them are submitted to the İstanbul Stock Exchange (ISE) and published on our company's corporate website within the legally prescribed period of time. The related financial statements are signed by statutory auditors and the company's directors in charge of financial management and reporting as to their accuracy. The public opinion is informed on the activities carried out in the relevant period, the company's position in the market, overall financial performance and other material events through a press statement in relation to the financial statements disclosed quarterly. Both the relevant financial statements and press statements given are posted on the corporate website.

- Reporting to the Republic of Turkey Prime Ministry Undersecretariat of Treasury and to the Association of Insurance and Reinsurance Companies of Turkey takes place monthly and quarterly and is submitted in electronic format.

- Material event disclosures that must be made in accordance with CMB regulations are sent to ISE in due time. While material event disclosures are in principle signed by managers responsible for financial administration and reporting, in exceptional cases, they may also be signed by the managers responsible for the units concerned before being sent to the authorities.
  Material event disclosures are announced on the website of Anadolu Hayat Emeklilik on the business day following the public disclosure, the latest.

  In order to ensure the confidentiality of material events until their disclosure to the public, company employees with access to insider information are informed on their responsibilities arising from applicable legislation, while non-disclosure provision is added when necessary to agreements made with individuals and companies that might have access to insider information in connection with their provision of a certain service to the company. On the other hand, Anadolu Hayat Emeklilik exercises utmost care to comply with the legal obligation to keep company and customer secrets in confidence, and not to disclose the same to any person other than authorities explicitly authorized by the law, pursuant to the Insurance Law no. 5684 and the Law no 4632 on Private Pension Savings and Investment System. This obligation applies to the companies from which the company procures support services and their employees, as well as Anadolu Hayat Emeklilik employees.

- In situations such as amendments to the articles of incorporation, general assemblies of shareholders, share capital increases and dividend payments, announcements are made in the commercial registry gazette and in daily newspapers.

- An annual report incorporating all essential information is prepared every year in accordance with the regulations of the Turkish Treasury and made available for the examination of shareholders and published on our website (anadoluhayat.com.tr) before the general assembly of shareholders for the year is held. An electronic version of the annual report on CD may also be obtained from the Shareholder Relations Unit upon request.

- The company does not hold press conferences etc on a regular basis. When need be or if it appears necessary to respond to requests from the press, public statements are made in writing and through the visual media. Written and visual media public statements may only be made by the company Chairman, the CEO or the deputies or by other company officers designated by them.

  News about the company covered by national media and press are followed up via a professional media monitoring agency. In this frame, if the need arises to make a disclosure under the legislation governing public disclosure of material events, the necessary information is gathered from the relevant units upon which disclosure on the subject is made.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

When making a disclosure about news and hearsays that are covered by the media and the press, but that do not give rise to material event disclosure obligation as per the applicable legislation, various factors are taken into consideration such as the nature of the news item, the extent of the audience the particular medium reaches, and whether or not the news item has an effect on the company's reputation; based on these factors, the method and content of the disclosure are determined. In the event that the content of a disclosure that is made in relation to such news items and hearsays incorporates an element that requires making a public disclosure, an additional material event disclosure is made on the subject in line with the provisions of applicable legislation. If the news item covered constitutes crime with respect to Article 35 of the Insurance Law concerning the protection of reputation and/or Article 23 of the Law on Private Pension Savings and Investment System, the company is entitled to take legal action.

- Information is supplied to shareholders and other interested parties through teleconferences that are held from time to time. These teleconferences are coordinated by the Shareholder Relations Unit.

- Information is supplied to shareholders and other interested parties through investor meetings and visits conducted in Turkey and abroad. To the degree possible, these road-shows are conducted by the Shareholder Relations Unit and they are taken part in by the CEO, by company officers responsible for financial management and reporting, and by employees of the Shareholder Relations Unit. In situations where it is deemed to be necessary, these contact teams may be further augmented.

  Presentations and reports disclosed in roadshows, informative meetings with investors and press conferences are made available under the Investor Relations section of the company's corporate website so as to make sure that all market players have simultaneous and equal access to information.

- Forward-looking information contained in disclosures to be made to the public, including proforma financial statements and reports, are disclosed along with the grounds and statistical data on which forecasts are based. Such information must not incorporate unfounded exaggerated predictions, not be misleading and are associated with the company's financial position and operating results.

- The Shareholder Relations Unit responds to e-mail requests for financial statements and other pertinent information made by shareholders, rating agencies, and organizations preparing research reports about the company.

- In the "Investor Relations" section of the corporate website (anadoluhayat.com.tr), detailed information and data about the company are made available in a format that is aligned with the corporate governance profile. The corporate website is managed and kept up to date by the Shareholder Relations Unit. All questions directed to the company by shareholders and other interested parties by e-mail, letter, telephone, etc. are responded to as quickly as possible under the coordination of the Shareholder Relations Unit.

### Other disclosures

Disclosures other than the ones indicated above are made under the signature of company officers within the designated limits of their individual authorities.

### Designation of Individuals with Administrative Responsibility

The criteria taken into account when designating individuals with administrative responsibility are the positions held by the individuals in the company's organization and the content of information accessed thereby. In this frame, individuals with administrative responsibility are identified as the Board Directors, statutory auditors, CEO and deputy chief executive officers, and directors of certain headquarters units with access to information on the company as a whole and those that are empowered to make administrative decisions that might have an impact on the assets/liabilities structure, profit and loss, cash flow, strategic goals, etc. at a macro level.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

**The Anadolu Hayat Emeklilik corporate website (anadoluhayat.com.tr)**

Our company makes active and intensive use of its corporate website in public disclosures and announcements. This website contains all the information and data required by corporate governance principles and regulatory authorities. The website also contains information about the company's shareholder structure, subsidiaries and affiliates, corporate structure, statement of compliance with corporate governance principles, agendas of general assemblies of shareholders, general assembly attendance rosters, and information and forms concerning participation in general assemblies. Also available on the website are the company's public disclosure policy, rules of ethics, profit distribution policy, and published material event disclosures. Care is continuously taken to keep the corporate website up to date.

### 9. DISCLOSURE OF MATERIAL EVENTS

The company made twenty-one material event disclosures during 2010 as required by CMB regulations.

There were no material event disclosures that were not made in due time or for which either CMB or ISE demanded additional information.

N. Cem Özcan, an officer of the Shareholder Relations Unit, is responsible for overseeing and following up on all issues related to public disclosure. Investors, financial analysts, media representatives, etc in need of information about the company are directed to the Shareholder Relations Unit.

In addition the public is continuously kept informed and up to date:

- in line with the principle of transparency and in keeping with the accounting principles to which we adhere and with the truthful reporting of financial results
- on developments that might have an impact on the value of the company's capital market vehicles, without delay and within the periods of time prescribed by law
- on relevant information subject to the reservations provided for by applicable laws and regulations in situations where a significant change takes place in the company's financial standing and/or its activities or where such a change is expected in the near future,
- on any changes or developments subsequently emerging with respect to public announcements that the company has already made.

### 10. DISCLOSURE OF ULTIMATE NON-CORPORATE CONTROLLING SHAREHOLDERS

There are no ultimate non-corporate controlling shareholders in our company.

The current shareholder structure of our company is shown below.

| Shareholders | Share Amount (TRY) | Share Portion (%) |
|---|---:|---:|
| Türkiye İş Bankası A.Ş. | 155,000,000 | 62 |
| Anadolu Anonim Türk Sigorta Şti. | 50,000,000 | 20 |
| Millî Reasürans T.A.Ş. | 2,500,000 | 1 |
| Publicly Held | 42,500,000 | 17 |
| **Total** | **250,000,000** | **100** |

### 11. FUNCTIONS OF EXTERNAL AUDIT

The external audit firms and the auditors employed thereby must be independent.

Independent audit firms are subject to regular rotation.

Independent audit activity and consultancy services are clearly separated.

### 12. PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

Pursuant to Section 10, Article 25 of the Insurance Law no. 5684, the members and officials of enterprises subject to the said Law, individuals subject to the Law and their employees, those performing outsourced duties in the insurance industry may not divulge the secrets of enterprises subject to the Law and of relevant individuals under an insurance contract that they become privy to by virtue of their capacities and duties to any party other than the authorities explicitly authorized by law.

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Individuals established to have violated the provision of this article are punishable by imprisonment from one year up to three years and by judicial fine of two hundred days minimum.

If those serving a duty in the enforcement of the Law and in the supervision of its enforcement, insurance arbitrators and reporters divulge the secrets pertaining to individuals and enterprises operating under the Law and to their participations, subsidiaries and to individuals under an insurance contract to any party other than those authorized by the Law and its special laws, or if they use the same to their own benefit, even after they leave their posts, they will be punishable by imprisonment from two years up to four years and by judicial fine of three hundred days minimum.

Our company strictly abides by all legal arrangements in relation to insider trading. Further, it is espoused as a corporate culture to formulate a policy on this matter. To this end, our company has banned those in a position to access insider information from using the information they acquire for the purpose of deriving benefits in their own or others' favor.

### 13. KEEPING STAKEHOLDERS INFORMED

Care is taken to keeping stakeholders–those who have an interest in our company and include shareholders, employees, creditors, customers, suppliers, a non-governmental organizations, the government, and potential investors in our company–informed on issues concerning our company that are of interest to them in writing. The company's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the company safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the company's own reputation.

The corporate governance structure provides the means to all stakeholders including employees and their representative bodies to communicate their concerns about any illegal or unethical practices to the management, and safeguards their right to do so.

### 14. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Our company's articles of incorporation contain no provisions governing stakeholder participation in management.

The Suggesting System Regulation targeting the company employees has been introduced as of 01 May 2006. Suggestions for innovations and improvements are evaluated within the framework of this regulation and put into effect in the company.

The company meets with its sales organization twice a year at which time they are informed about the company's activities, their suggestions are heard, and successful intermediaries are rewarded.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 15. HUMAN RESOURCES POLICY

The principles of the human resources policy adopted by our company are set out below.

Job descriptions and assignments and performance criteria are determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is taken to making use of objective criteria and to protecting the company's best interests.

Training plans are developed and implemented so as to enable our employees to improve their knowledge and skills.

Our company's employees are members of the Union of Bank and Insurance Workers.

A secure work environment and safe working conditions are provided by our company. Work is currently in progress to further improve these conditions in line with social and technological requirements.

Our employees are kept informed about any company decisions that are made and about developments that may be of concern to them.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

No representative has been appointed to conduct company-employee relations.

### 16. RELATIONS WITH CUSTOMERS AND SUPPLIERS

Our company's quality policy is a commitment to offer and ensure the continuity of high-quality products and services by deploying a staff of specialized and experienced people, strong technological and financial infrastructures, an approach that focuses on continuous development and improvement, and an experienced and extensive agency network.

Our company is mindful of the continuity of service quality and standards in all stages of life insurance and private pension products and services. Customers' wishes are quickly satisfied and customers are kept informed whenever delays may occur.

Care is taken to protect the integrity of customers' and suppliers' confidential information of which the company becomes aware.

### 17. SOCIAL RESPONSIBILITY

Mindful of the country's interests and in its awareness of its social responsibility, Anadolu Hayat Emeklilik has worked for the benefit of the Life Insurance Sector and the Private Pension System in Turkey ever since the day the company was founded.

### 18. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS; NON-EXECUTIVE DIRECTORS

The Board of Directors consists of non-executive members except the CEO.

The positions of CEO and Chairman are held by different people. Inasmuch as our company has no ultimate non-corporate controlling shareholders, all of the Board Directors are assumed to be naturally able to act with independence and have the advantage of being able to act impartially in their decisions by holding the interests of the company and of its stakeholders above everything else

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## Corporate Governance Principles Compliance Report

Information about the company's directors and CEO is presented below.

| Name | Title | University | Faculty & Department Sciences/Business Administration | Company | Position | Years of Professional Experience |
|---|---|---|---|---|---|---|
| Mahmut Magemizoğlu | Chairman | Middle East Technical University | Faculty of Administrative Sciences/Business Administration | Türkiye İş Bankası A.Ş. | Deputy Chief Executive Officer | 28 |
| Salih Kurtuluş | Vice Chairman | İstanbul Private School of Journalism | - | Retired | - | 37 |
| Mete Uğurlu | Director & CEO | Middle East Technical University | Faculty of Administrative Sciences/ Business Administration | Anadolu Hayat Emeklilik A.Ş. | CEO | 33 |
| Dr. A.Yavuz Ege | Director | Ankara University | Faculty of Political Sciences/ Public Finance & Economics | Retired | - | 40 |
| Yalçın Sezen | Director | Middle East Technical University | Faculty of Economic and Administrative Sciences/ Public Administration | Türkiye İş Bankası A.Ş. | Division Manager | 23 |
| A.Erdal Aral | Director | Marmara University | Faculty of Economic and Administrative Sciences/ Economics (English) | Türkiye İş Bankası A.Ş. | Branch Manager | 22 |
| Nilgün İskender | Director | İstanbul University | Faculty of Economics/ Economics | Türkiye İş Bankası A.Ş. | Division Manager | 33 |
| Emre Duranlı | Director | Hacettepe University | Faculty of Economics and Administrative Sciences/ Business Administration (English) | Türkiye İş Bankası A.Ş. | Unit Manager | 15 |
| Ömer Karakuş | Director | Gazi University | Faculty of Economic and Administrative Sciences/ Public Administration | Türkiye İş Bankası A.Ş. | Division Manager | 22 |
| Hüseyin Yağcı | Statutory Auditor | Middle East Technical University | Faculty of Arts and Sciences/Statistics | Türkiye İş Bankası A.Ş. | Branch Manager | 26 |
| Engin Ekşi | Statutory Auditor | İstanbul University | Faculty of Business Administration / Business Administration | Türkiye İş Bankası A.Ş. | Assistant Manager | 11 |

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the company's market value
- Ensure that the company's activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the company's need to grow.

When choosing new members to fill vacancies on the Board attention is given to the following matters.

- Candidates are required to be present at general assemblies of shareholders at which Board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates.
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with company regulations about such matters.

Attention is given to the conduct of regular Board meetings, which are held at least once a month.

Because they are the representatives of corporate shareholders, the law does not require the Members of the Board of Directors to be shareholders in the company themselves.

For the same reason, the usual requirement of directors to entrust shares of stock to the company as guarantees are fulfilled by the corporate entities that Board Directors represent.

Amount of company shares held by the Board directors is negligible.

Our company's articles of incorporation contain no provisions governing the use of the cumulative voting system in the election of Members of the Board of Directors.

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## Corporate Governance Principles Compliance Report

### 19. QUALIFICATIONS OF COMPANY DIRECTORS

Because their qualifications are stipulated by law, our company's articles of incorporation contain no other provisions governing the minimum qualifications required to be elected to a seat on the Board.

By law, the CEOs of insurance companies must have at least four years of university education and at least ten years of experience in one or more of the disciplines of insurance, economics, business administration, accounting, law, public finance, mathematics, statistics, actuary or engineering. More than half of the Board of Directors of an insurance company must have at least four years of university education and must be elected from amongst individuals having minimum three years of experience in one of the same disciplines.

Majority of the Members of the Board of Directors have at least the following qualifications:
- A satisfactory level of knowledge and experience in banking and/or insurance
- Financial statement and report reading and analysis skills
- Basic knowledge about the legal framework governing our company and about the conditions of its market
- The willingness and ability to regularly take part in Board meetings during their elected term of office.

Our Board consists of nine members and this number makes it possible for the Board's activities to be organized effectively.

A newly-elected Member of the Board takes part in an orientation program that includes:
- Becoming acquainted with company managers and visiting company units
- Reviewing company managers' backgrounds and performance evaluations
- Being familiarized with the company's strategic goals, current standing, and problems
- Examining the company's market share, financial structure, and performance indicators.

While there are no specific rules concerning Board Directors' undertaking other duties outside the company, no company director has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

### 20. MISSION, VISION, AND STRATEGIC GOALS OF THE COMPANY

The company's:
- vision is to be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people.
- mission is to develop and inculcate in people an awareness of the need to safeguard their own futures and the futures of their loved ones; to offer financial solutions that eliminate people's doubts about the future and enhance the quality of their lives; and to contribute to the development of the national economy by creating long-term financial resources.

Our strategic goals are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the company's medium and long-term objectives and presented to the Board of Directors for its approval.

These strategies and goals are debated thoroughly and comprehensively by the Board.

Performance with respect to approved strategies and goals is regularly reviewed at monthly Board meetings at which the company's activities, financial structure, and related issues are assessed and evaluated.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month. At such meetings, consideration is given to the company's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the company in its sector, its financial structure and performance standing, and the compliance of its reporting and activities comply with international standards.

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## Corporate Governance Principles Compliance Report

### 21. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISMS

The primary goal of risk management activities is to ensure alignment of the company's asset quality and the risk level that it undertakes against a certain return with the company's risk tolerance within the limits stipulated by the insurance legislation.

The basic goal of internal control activities is to offer maximum contribution to make sure that the internal control system that make up the control system is kept in compliance with the legislation and standards, healthy, strong and efficient with respect to its structure and operation.

The fundamental strategy turned towards these goals is to plan, execute and manage risk management and internal control activities based on a risk-focused approach and within the frame of applicable legislation and internationally accepted principles and norms, in a manner that is target-oriented, productive and effective, exercising utmost care. The basic principle is to employ the most advanced vehicles and methods possible and appropriate.

Risk management and internal control activities are conducted under the responsibility of Risk Management and Internal Control Department set up in order to carry out these activities. The Department reports directly to the CEO.

Risk management endeavors and the risks to which the company is exposed are reported to the Board of Directors on a quarterly basis. The Board of Directors is kept informed on the market risk through the monthly Market Risk Monitoring Report, and possible economic loss forecasts under abnormal market conditions are followed up by stress tests and scenario analyses conducted at the end of each month. Compliance with the limits set by the Board of Directors in relation to market risk is monitored on a daily basis and daily back-testing is conducted to validate the amount computed. Mechanisms to be applied in case of limit overruns have been determined by the Board of Directors.

### 22. AUTHORITIES AND RESPONSIBILITIES OF COMPANY DIRECTORS AND EXECUTIVES

The authorities of the Board of Directors are set forth in the company's articles of incorporation, according to which the Board is responsible, among other things, for:

- Entering into and terminating agency, branch, and representative agreements and determining their conditions
- Entering into proxy, coinsurance, representative, and agency agreements with other insurance and reinsurance companies
- Determining the dates on which the company will begin and cease to be active in private pensions and in different insurance branches
- Determining the terms of pension, insurance, and reinsurance contracts
- Entering into and terminating pension, insurance, and reinsurance contracts
- Establishing companies involved in private pensions and insurance; acquire stakes in existing companies or in companies that are to be set up
- Establishing private pension funds
- Entering into reconciliation, quittance, and arbitration agreements
- To achieve the companies' aims and increase the value of its capital and reserves, buying, selling, constructing properties of any kind; borrowing against mortgages on the company's real estate properties and establishing and terminating any and all real rights over them.

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

When deemed necessary, executives attend the Board meetings.

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## Corporate Governance Principles Compliance Report

Board directors save for the non-executive director cannot escape from responsibility claiming that they have not been provided with sufficient information during the performance of their duties. Therefore, with no consideration to the insufficient information provided, they request further information if necessary.

As stipulated in our articles of incorporation, the CEO is responsible for the day-to-day conduct of the company's business within the framework of the principles and limits set by the Board of Directors.

Authorities concerning the conduct of the company's business are delegated to executive organs within the framework of the company's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the collective bargaining agreement and in the personnel regulations approved and put into effect by the Board.

The Members of the Board of Directors devote a sufficient amount of their time to the company's business.

The Board has taken necessary precautions to ensure that information about the company that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the company.

Periodic financial reports and the company's annual report are published with the Board's approval.

Board of directors must not yield to pressures that would serve against the interests of shareholders and they must not accept any material gains.

In addition to its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the company's annual budget and business plans
- Having the company's annual report prepared and finalizing it for presentation to the general assembly of shareholders
- Ensuring that general assemblies of shareholders are held in accordance with the requirements of law and the company's articles of incorporation
- Carrying out the decisions made at general assemblies of shareholders
- Checking significant expenditures that amount to more than 10% of the company's most recent balance sheet
- Approving manager career plans and reward programs
- Determining policies related to shareholders, stakeholders, and public relations
- Determining the company's public disclosure policy
- Determining company and employee rules of ethics
- Determining the working principles of committees and ensuring that committees are effective and productive in their work
- Taking measures to ensure that the company's organizational structure is able to respond to current needs
- Examining the activities of predecessor Boards of Directors.

### 23. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

A draft of the agenda for a Board meeting is prepared by the CEO and finalized in line with the recommendations of the Chairman and other directors.

The company's Board convened twelve times during 2010.

Special care is taken to setting meeting dates that will allow all Board Directors to attend and to hold the meetings with all directors in attendance except in unforeseen exceptional cases.

As a rule, at each regular meeting of the Board, the date of the next scheduled meeting is set and Members are subsequently reminded of this in writing.

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## Corporate Governance Principles Compliance Report

A secretariat has been set up that is responsible for keeping the company's directors and statutory auditors informed and for communicating with them.

Dissenting votes at Board meetings and the justifications for them are entered into the meeting's minutes and the statutory auditors are notified of this situation as well. No company director cast a dissenting vote at any Board meeting in 2009 and 2010.

All Members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the company's activities such as:
- Determining businesses that the company is to engage in and approving business and financial plans
- Summoning ordinary and extraordinary general assemblies of shareholders and taking care of matters related to their organization
- Finalizing the annual report that is to be submitted at a general assembly of shareholders
- Electing the chairman and deputy chairman and appointing new members
- Creating and terminating administrative units
- Appointing and dismissing CEOs
- Setting up committees
- Approving mergers, demergers, and restructurings; selling all or any more than 10% of the company's non-current assets or undertaking investments amounting to more than 10% of them; approving expenditures amounting to more than 10% of the company's total assets
- Determining the company's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or reducing the company's capitalization.

A Board's first meeting is preferably held on the same day that it is elected into office.

At this first meeting, the Chairman and Deputy Chairman are elected, duties are assigned, and committees are formed.

In principle, Board Directors take part in all meetings.

Save for exceptional cases, the Board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the Board's agenda are normally sent out to Members for them to examine at least one week before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each Board Director is entitled to a single vote. All directors' votes carry equal weight and no director has a positive or negative veto power.

As stipulated in our articles of incorporation, the Board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

### 24. PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY
Company directors engage in no activities which would be subject to any prohibition on doing business or competing with the company and which would therefore require them to obtain the prior permission of the shareholders at a general assembly.

### 25. RULES OF ETHICS AND THE PRINCIPLES OF THEIR IMPLEMENTATION
Anadolu Hayat Emeklilik is a publicly-traded joint-stock company that is active in life insurance and private pensions. In achieving its productivity, profitability, and continuous growth targets, the company abides by all current laws and regulations and it actions are governed by a framework created from the corporate culture and business principles of the group of which it is a member and from the rules of ethics set forth below. Every company employee at every level is charged with abiding by these rules of ethics and complying with them in whatever new business or organizational structures may be developed. In general the company's activities are to be conducted in a manner that is in compliance with the law, honest, impartial, trustworthy, transparent, and socially responsible.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

**Compliance with laws**
In all of the activities undertaken by company employees, full compliance with the legal framework by which the company is governed as well as with the company's own regulations is a requirement.

**Social and corporate interests**
Company employees are charged with being financially, physically, and intellectually mindful of the interests and reputation of the country, society, the sector, the corporate group, and the company at every stage and with giving maximum attention and care to take all necessary precautions to avoid harming social and corporate interests or to have such precautions taken.

**Scope of the rules of ethics**
Company employees are charged with abiding by the rules of ethics and with ensuring that they are abided by without exception. Neither the company nor any of its employees may breach these rules in any decision or action.

**Maintenance of records and documents**
In the maintenance of the company's financial and operational records and in its internal and external reporting, there is to be full compliance with the requirements of law and with the principles of accountability, certitude, and reconcilability.

**Relations with shareholders, employees, business partners, and suppliers**
1. The company is obliged to provide all of its shareholders with all of the rights and benefits set forth in the company's articles of incorporation in the most correct, fastest, and most transparent way possible irrespective of the dimensions of shareholding interests.

2. The company is obliged to display an attitude that is fair, trustworthy, prudent, and responsible in its dealings with its policyholders, private pension holders, suppliers, competitors, and employees.

3. The company is respectful of its employees' personal rights and freedoms and recognizes that the individual talents and abilities of its employees are the key to its own success. For this reason, all employees are provided with full professional and technical training opportunities to advance themselves.

4. The company is obliged to take all possible measures to ensure that its employees are able to fulfill their duties and responsibilities with the highest commitment to service and in a workplace that is safe and healthy.

5. The company is obliged to take all necessary measures to prevent confidential information from being divulged illegitimately and to take all necessary action within the framework of these rules of ethics against those who do otherwise.

6. Neither the company nor its employees may divulge any confidential information about its shareholders, business partners, suppliers, employees, or customers unless required by law to do so nor may they make use of such information in such a way as to gain any advantage for themselves.

7. The company's employees are aware that in order to maximize their productivity, they must be mindful of harmonious workplace relations must develop their technical and professional skills, and must act within a framework of mutual respect, courtesy, and conscientiousness.

8. No company employee may accept any gift from any policyholder, private pension holder, supplier, or sales organization. The company's senior management is responsible for the identification and enforcement of guidelines governing the giving of gifts that are transparent and straightforward and also mindful of the company's interests.

9. The company's employees carefully examine complaints received from policyholders, private pension holders, agents, and other individuals and organizations and they deal with them as quickly as possible within the framework of the company's public disclosure policy.

10. The company's employees refrain from saying or doing anything that would create an unfavorable opinion about other companies in the sector and their employees.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### Corporate communication policy

1. The company's internal and external corporate communication policy is governed by and implemented within the framework of its rules of ethics.

2. The company acts out of an awareness of its social responsibilities in its sponsorships. Environmental awareness and social benefit are basic elements of the company's corporate communication policy.

3. The company never employs statements in its advertising or other corporate communications that are disparaging of other companies in the sector or of their products or services.

### 26. NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

Our company has set up a committee responsible for audit and a committee responsible for corporate governance. Each committee consists of two non-executive directors. Work is currently in progress on developing written principles governing the activities of existing committees and on setting up a strategic planning committee, a reconciliation committee, a human resources and merit award committee, and an ethics committee.

As there are no ultimate non-corporate controlling shareholders in our company, all of the Members of the Board of Directors serving in committees are naturally able to act with independence and therefore, have the advantage of acting impartially in their decisions.

### 27. FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

Company directors receive no financial benefits other than the honorarium that is paid to them.

The amount to be paid as an honorarium is determined by shareholders at a general assembly.

No company director is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the company.

### 28. EXECUTIVES

Executives perform their duties in a fair, transparent, accountable and reliable manner.

Executives ensure that the company conducts its business within the framework of its mission, vision, goals, strategies and policies.

Executives act in accordance with the financial and operational plans of the company as approved by the Board of Directors each year.

Executives are authorized as necessary to perform their duties.

Executive possess the required professional qualifications in order to perform the assigned duties.

Executives comply with the legislation, articles of incorporation, internal regulations and policies while performing their duties.

Executives cannot exploit company-related confidential and undisclosed information in favor of themselves or others, and cannot provide information or disseminate news or make comments that are false, untrue, misleading or unfounded about the company.

The compensation to be paid to the executives is commensurate with their qualifications and their contributions to the success of the company. The compensation to be paid to executives is determined in accordance with market conditions.

# Assessment on Financial Information and Risk Management

# Anadolu Hayat Emeklilik A.Ş.

## Statutory Auditors' Report

To the General Meeting of Anadolu Hayat Emeklilik A.Ş.;

| | |
|---|---|
| Name of Partnership Anadolu Hayat Emeklilik A.Ş. | |
| Headquarters | İstanbul |
| Registered Capital | TRY 300,000,000 |
| Issued Capital | TRY 250,000,000 |
| Principal Business Activity | Insurance and Private Pensions |
| Names and terms of office of Statutory Auditors,their relation to the company (employed/partners or not) | Engin Ekşi<br>Hüseyin Yağcı<br>Term of office is 1 year. The auditors are neither shareholders nor employees. |
| Number of meetings of the Board of Directors and Auditing Board attended | All meetings |
| Extend, scope and frequency of examinations of the company's records and legal books of account,dates of examination and conclusions reached | There have been advisory consultations made regarding the accounting records on a continuous basis. The records of the year have been controlled in detail and necessary audits and controls were implemented as of the ending year balance sheet and income/loss statements. |
| Number and results of cash counts performed at the cashiers office pursuant to article 353:1-3 of the Turkish Commercial Code and resolutions | The cash counts made on a quarterly basis and resolved the cash total was in accordance with the records. |
| Date of examinations conducted pursuant to article 353:1-4 of the Turkish Commercial Code and resolutions | The books of the company have been examined regularly and the status of valuable documents were inspected was resolved that all are in compliance with the records. |
| Complaints and charges of fraud of which the company was advised and actions taken against them | The company was not advised of any complaints or any charges of fraud. |

We have audited the financial statements and accounting data of Anadolu Hayat Emeklilik A.Ş for the period 01 January 2010-31 December 2010 according to the Turkish Commercial Code, the company's articles of association and other regulations in compliance with generally accepted accounting principles. In our opinion the accompanying balance sheet for the period ending 31 December 2010 and income statement for the period 01 January 2010-31 December 2010 reflect the results of this period fairly and accurately and the profit distribution proposal is in accordance with existing laws and the company's articles of incorporation.

We hereby submit the financial statements for your approval and recommend that the Board of Directors be released from liability.

Statutory Auditor
Engin Ekşi

Statutory Auditor
Hüseyin Yağcı

# Anadolu Hayat Emeklilik A.Ş.

## Assessment of the Board of Internal Audit Activities in 2010

Board of Internal Audit carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies enforced upon its publication in the Official Gazette issue 26913 dated 21 June 2008. In this context, the Board of Internal Audit reports directly to the Board of Directors and is organized independently in administrative terms.

The Board of Internal Audit reports on all units at the headquarters, regional departments, and branches at least once a year, and on all agents at least once in three years, in accordance with the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies. These reportings are performed in line with the audit plan and program approved by the Board of Directors. In addition to these internal audit activities, investigations and examinations are also conducted.

During 2010, the Board audited a total of 29 units (22 headquarters units, 6 regional departments and 1 branch) and issued seven investigation reports and one examination report. Agency inspections were also continued during 2010, and 158 agencies were audited last year. The reports prepared after audits, investigations and examinations were presented to the Board of Directors.

In 2010, the Board of Internal Audit was staffed by 12 audits and assistant auditor. The members of the Board of Internal Audit were provided with various training programs aimed at supporting their professional development and increasing their professional knowledge. Audit activities and audit reports issued are revised, modified and updated as needed to bring them into compliance with the International Internal Audit Standards and with current conditions.

The Board of Internal Audit provides independent and objective assurance to the senior management on the conformity of the company's activities with the Law and other applicable legislation, as well as internal strategies and policies; in addition, the Board has, since its establishment, made it a mission to contribute value to the company's operations, and to enhance efficiency and productivity. Furthermore, the Board also continues to work in line with its mission to train and develop managers for the company in the long run, through the investments made in its human resource.

Board of Internal Audit

# Anadolu Hayat Emeklilik A.Ş.

## General Meeting Agenda

**2010 ORDINARY GENERAL MEETING OF SHAREHOLDERS**

**29 MARCH 2011, TUESDAY, COMPANY HEADQUARTERS, 14:00 hours**

**AGENDA:**

1. Opening, electing a presiding committee, and authorizing the presiding committee to sign the minutes of the general meeting.

2. Reading and deliberating the 2010 reports by the Board of Directors, statutory auditors, and independent auditor.

3. Examining and approving the financial statements for 2010.

4. Individually acquitting each of the company's directors and statutory auditors of their fiduciary responsibilities for the company's activities and transactions in 2010.

5. Deliberating and voting on the Board of Directors proposal concerning manner and date of the distribution of 2010 profits.

6. Laying it down for the approval of the General Assembly of Shareholders to amend "Article 6 – Capital" of the Company's articles of association in order to reflect the raise in the Company's authorized capital to TRY 450,000,000.- (four hundred and fifty millions) and to align the same with the Council of Ministers Resolution no 26513, dated 05.05.2007 concerning "Elimination of the Word "New" from the New Turkish Lira and New Kuruş Phrases and Implementation Principles" published in the Official Gazette issue 11963 dated 04.04.2007.

7. Electing the members of the Board of Directors and determining their terms of office.

8. Electing the statutory auditors.

9. Approving the monthly salaries to be paid to the members of the Board of Directors and statutory auditors.

10. Authorizing the members of the Board of Directors to carry out the transactions set out in Article 334 and 335 of the Turkish Commercial Code.

11. Providing information on grants and donations made during the reporting period.

# Anadolu Hayat Emeklilik A.Ş.

## Amendment to Article 6 of the Articles of Incorporation of Anadolu Hayat Emeklilik A.Ş.

### FORMER VERSION

Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Law no. 2499, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is 300,000,000.- YTL (three hundred million New Turkish Liras), divided into 30,000,000,000 (thirty billion) shares each with a nominal value of 1 Ykr.

The Company's issued capital is 150,000,000.- YTL (one hundred fifty million New Turkish Liras), which is fully paid-in. Of this amount; 1,000,000.- YTL (one million New Turkish Liras) consists of 100,000,000 (one hundred million) Class A shares, each with a nominal value of 1 Ykr, and 149,000,000.- YTL (one hundred fourty nine million New Turkish Liras) consists of 14,900,000,000 (fourteen billion nine hundred million) Class B shares, each with a nominal value of 1 Ykr and issued on various dates.

New Class A shares can not be issued in capital increases.

The Board of Directors is authorized to increase the issued capital up to the authorized capital amount through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.

While the nominal value of one share was 1,000 TL, the same was changed to 1 Ykr under the law amending the Turkish Commercial Code numbered 5274 (TCC). Due to the aforementioned change, total number of shares decreased; accordingly, 10 shares each with a value of 1,000 YTL will be exchanged with one share of 1 Ykr. The shareholders' rights arising from the shares they hold in relation to the said exchange are reserved.

Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.

### REVISED VERSION

Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Law no. 2499, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is 450,000,000.- TL (four hundred fifty million Turkish Liras), divided into 45,000,000,000 (forty-five billion) shares each with a nominal value of 1 Kr.

The Company's issued capital is 250,000,000.- TL (two hundred fifty million Turkish Liras), which is fully paid-in. Of this amount; 1,000,000.- TL (one million Turkish Liras) consists of 100,000,000 (one hundred million) Class A shares, each with a nominal value of 1 Kr, and 249,000,000.- TL (two hundred forty-nine million Turkish Liras) consists of 24,900,000,000 (twenty-four billion nine hundred million) Class B shares, each with a nominal value of 1 Kr and issued on various dates.

New Class A shares cannot be issued in capital increases.

Permission granted by the CMB for authorized capital is valid from 2011 through 2015 (5 years). Even if the authorized capital so permitted is not reached by the end of 2015, in order for the Board of Directors to pass a capital increase decision after 2015, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time upon getting permission from the CMB for the previously permitted or a new maximum capital amount. The Company will be deemed to have exited the registered capital system in case of failure to obtain the said authorization.

From 2011 through 2015, the Board of Directors is authorized to increase the issued capital up to the authorized capital through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.

While the nominal value of each share was 1,000.- TL, the same was first changed to 1 New Kuruş pursuant to the Law Amending the Turkish Commercial Code no. 5274, and then to 1 kuruş due to the elimination of the word "New" from the phrases "New Turkish lira" and "New Turkish Kuruş" effective from 01 January 2009, based on the Council of Ministers Decision numbered 2007/11963 dated 04 April 2007. Due to this change, total number of shares decreased; accordingly, 10 shares with a value of 1,000 TL have been exchanged to one share with a nominal value of 1 (New) Kuruş. The shareholders' rights arising from the shares they hold in relation to the said exchange are reserved.

The phrases "Turkish Lira" herein are phrases that have been inserted pursuant to the Council of Ministers Decision mentioned above.

Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.

# Anadolu Hayat Emeklilik A.Ş.

## 2009 Profit Distribution Table

| | | | |
|---|---|---|---|
| 1- | Paid-in/Issued Capital | | 250,000,000 |
| 2- | Total Legal Reserves (according to legal records) | | 45,102,324 |
| | If there are privileges for distribution of profits according to the Articles of Association, information on such privileges | | THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS |
| | | Based on CMB | Based on Legal Records |
| 3- | Profit for the Period | 97,993,428 | 91,160,253 |
| 4- | Taxes Payable (-) | -18,709,000 | -18,709,000 |
| 5- | Net Profit for the Period (=) | 79,284,428 | 72,451,253 |
| 6- | Losses in Prior Years (-) | - | - |
| 7- | First Legal Reserves (-) | 3,622,563 | 3,622,563 |
| 8- | NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=) | 75,661,865 | 68,828,690 |
| 9- | Donations during the Year (+) | 140,865 | |
| 10- | Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed | 75,802,730 | |
| 11- | First Dividend to Shareholders | | |
| | - Cash | 15,160,546 | |
| | - Bonus Shares | - | |
| | - Total | 15,160,546 | |
| 12- | Dividends Distributed to Owners of Privileged Shares | - | |
| 13- | Dividends Distributed to Board Members, Employees, etc. | 1,815,040 | |
| 14- | Dividends Distributed to Owners of Redeemed Shares | - | |
| 15- | Second Dividend to Shareholders | 39,839,454 | |
| 16- | Second Legal Reserves | 4,431,504 | |
| 17- | Statutory Reserves | 5,868,628 | |
| 18- | Special Reserves | - | |
| 19- | EXTRAORDINARY RESERVES | 8,546,693 | |
| 20- | Other Resources to be Distributed | | |
| | - Previous Year Profit | | |
| | - Extraordinary Reserves | | |
| | - Other Distributable Reserves as per the Law and Articles of Association | | |

| INFORMATION ON DIVIDEND RATIO | | | | |
|---|---|---|---|---|
| INFORMATION ON EARNINGS PER SHARE | | | | |
| | | | DIVIDENDS PER SHARES WITH NOMINAL VALUE OF TRY 1 EACH | |
| | GROUP | TOTAL DIVIDENDS (TRY) | AMOUNT (TRY) | RATIO (%) |
| GROSS | A | 220,000 | 0.220000 | 22.0000 |
| | B | 54,780,000 | 0.220000 | 22.0000 |
| | TOTAL | 55,000,000 | | |
| | | | | |
| NET (*) | A | 187,000 | 0.187000 | 18.7000 |
| | B | 46,563,000 | 0.187000 | 18.7000 |
| | TOTAL | 46,750,000 | | |
| | | | | |
| RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS | | | | |
| CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY) | | | RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%) | |
| | | 55,000,000 | 72.56% | |

(*) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

# Anadolu Hayat Emeklilik A.Ş.

## 2010 Profit Distribution Proposal

| | | | |
|---|---|---|---|
| 1- | Paid-in/Issued Capital | | 250,000,000 |
| 2- | Total Legal Reserves (according to legal records) | | 53,156,391 |
| | If there are privileges for distribution of profits according to the Articles of Association, information on such privileges | | THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS |
| | | Based on CMB | Based on Legal Records |
| 3- | Profit for the Period (*) | 88,179,608 | 86,791,729 |
| 4- | Taxes Payable (-) | -15,435,000 | -15,435,000 |
| 5- | Net Profit for the Period (=) | 72,744,608 | 71,356,729 |
| 6- | Losses in Prior Years (-) | - | - |
| 7- | First Legal Reserves (-) | 3,567,836 | 3,567,836 |
| 8- | NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=) | 69,176,772 | 67,788,893 |
| 9- | Donations during the Year (+) | 280,465 | |
| 10- | Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed | 69,457,237 | |
| 11- | First Dividend to Shareholders | | |
| | - Cash | 13,891,447 | |
| | - Bonus Shares | - | |
| | - Total | 13,891,447 | |
| 12- | Dividends Distributed to Owners of Privileged Shares | - | |
| 13- | Dividends Distributed to Board Members, Employees, etc. | 1,658,560 | |
| 14- | Dividends Distributed to Owners of Redeemed Shares | - | |
| 15- | Second Dividend to Shareholders | 26,108,553 | |
| 16- | Second Legal Reserves | 2,915,856 | |
| 17- | Statutory Reserves | 5,362,677 | 5,362,677 |
| 18- | Special Reserves | - | - |
| 19- | EXTRAORDINARY RESERVES (**) | 19,239,679 | 17,851,800 |
| 20- | Other Resources to be Distributed | - | - |
| | - Previous Year Profit | | |
| | - Extraordinary Reserves | | |
| | - Other Distributable Reserves as per the Law and Articles of Association | | |

| INFORMATION ON DIVIDEND RATIO | | | | |
|---|---|---|---|---|
| INFORMATION ON EARNINGS PER SHARE | | | | |
| | GROUP | TOTAL DIVIDENDS (TRY) | DIVIDENDS PER SHARES WITH NOMINAL VALUE OF TRY 1 EACH | |
| | | | AMOUNT (TRY) | RATIO (%) |
| GROSS | A | 160,000 | 0.160000 | 16.0000 |
| | B | 39,840,000 | 0.160000 | 16.0000 |
| | TOTAL | 40,000,000 | | |
| | | | | |
| NET (***) | A | 136,000 | 0.136000 | 13.6000 |
| | B | 33,864,000 | 0.136000 | 13.6000 |
| | TOTAL | 34,000,000 | | |
| | | | | |
| RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS | | | | |
| CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY) | | | RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%) | |
| 40,000,000 | | | 57.59% | |

(*) Pursuant to the arrangement set out in the Weekly Bulletin 2010/4 of the Capital Markets Board of Turkey, profit distribution has been made based on the consolidated profit figure. As per Article 5 of the Corporate Tax Law, in the profit for the period ending 31 December 2010, the amount of TRY 40,605 has not been taken into account, which arises from 75% of the Revenues on Disposal of Subsidiaries and which is set aside for follow-up under "Retained Profit for the Period"
(**) As a result of profit distribution, TRY 17,851,800 will be taken into account as extraordinary reserves, which amount is calculated based on legal records.
(***) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

# Anadolu Hayat Emeklilik A.Ş.

## Independent Auditors' Report

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

**To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi**

*Introduction*

We have audited the accompanying unconsolidated balance sheet of Anadolu Hayat Emeklilik 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 Anadolu Hayat Emeklilik 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 10 March 2010.

Istanbul, 9 March 2011

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

Filiz Demiröz, Certified Public Accountant

*Partner*

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Financial Statements As At And For The Year Ended 31 December 2010

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

Istanbul, 9 March 2011

| | | | | |
|---|---|---|---|---|
| Mete Uğurlu<br>Member of Board of Directors, Chief Executive Officer | Oğuz Haluk Solak<br>Vice Chief Executive Officer | N. Cem Özcan<br>Accounting Manager | Hüseyin Yağcı<br>Statutory Auditor | Engin Ekşi<br>Statutory Auditor |

Harun R. Alpözgen
Actuary

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# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| ASSETS | | | |
|---|---|---|---|
| **I- Current Assets** | **Note** | **Audited Current Period 31 December 2010** | **Audited Prior Period 31 December 2009** |
| **A- Cash and Cash Equivalents** | **14** | **129,069,140** | **121,543,838** |
| 1- Cash | 14 | 17,198 | 9,012 |
| 2- Cheques Received | | - | - |
| 3- Banks | 14 | 76,694,447 | 78,744,899 |
| 4- Cheques Given and Payment Orders | 14 | (47,274) | (44,109) |
| 5- Other Cash and Cash Equivalents | 14, 47 | 52,404,769 | 42,834,036 |
| **B- Financial Assets and Financial Investments with Risks on Policyholders** | **11** | **2,452,962,989** | **2,316,376,442** |
| 1- Available-for-Sale Financial Assets | 11 | 377,260,875 | 346,126,773 |
| 2- Held to Maturity Investments | | - | - |
| 3- Financial Assets Held for Trading | 11 | 65,860,731 | 83,543,063 |
| 4- Loans and Receivables | 11 | 297,516 | - |
| 5- Provision for Loans and Receivables | | - | - |
| 6- Financial Investments with Risks on Saving Life Policyholders | 11 | 2,016,552,956 | 1,893,715,695 |
| 7- Company's Own Equity Shares | | - | - |
| 8- Diminution in Value of Financial Investments | 11 | (7,009,089) | (7,009,089) |
| **C- Receivables from Main Operations** | **12** | **2,675,550,930** | **2,002,751,157** |
| 1- Receivables from Insurance Operations | 12 | 7,471,182 | 7,718,769 |
| 2- Provision for Receivables from Insurance Operations | 12 | (2,574) | (268,943) |
| 3- Receivables from Reinsurance Operations | | - | - |
| 4- Provision for Receivables from Reinsurance Operations | | - | - |
| 5- Cash Deposited to Insurance and Reinsurance Companies | | - | - |
| 6- Loans to the Policyholders | 2.1.6,12 | 48,122,482 | 42,408,980 |
| 7- Provision for Loans to the Policyholders | | - | - |
| 8- Receivables from Individual Pension Operations | 12 | 2,619,959,840 | 1,952,892,351 |
| 9- Doubtful Receivables from Main Operations | 12 | 117,996 | 131,846 |
| 10- Provision for Doubtful Receivables from Main Operations | 12 | (117,996) | (131,846) |
| **D- Due from Related Parties** | **12** | **92,711** | **712,900** |
| 1- Due from Shareholders | | - | - |
| 2- Due from Associates | | - | - |
| 3- Due from Subsidiaries | | - | - |
| 4- Due from Joint Ventures | | - | - |
| 5- Due from Personnel | 12 | 92,711 | 712,900 |
| 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 | | - | - |
| **E- Other Receivables** | **12** | **6,323,295** | **4,790,431** |
| 1- Finance Lease Receivables | | - | - |
| 2- Unearned Finance Lease Interest Income | | - | - |
| 3- Deposits and Guarantees Given | | 38,632 | 33,901 |
| 4- Other Miscellaneous Receivables | 47 | 6,284,663 | 4,756,530 |
| 5- Rediscount on Other Miscellaneous Receivables | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provision for Other Doubtful Receivables | | - | - |
| **F- Prepaid Expenses and Income Accruals** | **4.2** | **4,775,386** | **3,439,916** |
| 1- Prepaid Expenses | | 4,552,267 | 3,243,948 |
| 2- Accrued Interest and Rent Income | | 208,704 | 188,761 |
| 3- Income Accruals | | 14,415 | 7,207 |
| **G- Other Current Assets** | **4.2** | **625,277** | **153,208** |
| 1- Stocks to be Used in the Following Months | | 44,087 | 98,882 |
| 2- Prepaid Taxes and Funds | | 576,888 | 52,695 |
| 3- Deferred Tax Assets | | - | - |
| 4- Job Advances | | - | - |
| 5- Advances Given to Personnel | | 4,300 | 1,630 |
| 6- Inventory Count Differences | | 2 | 1 |
| 7- Other Miscellaneous Current Assets | | - | - |
| 8- Provision for Other Current Assets | | - | - |
| **I- Total Current Assets** | | **5,269,399,728** | **4,449,767,892** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| ASSETS | | | |
|---|---|---|---|
| **II- Non-Current Assets** | **Note** | **Audited Current Period 31 December 2010** | **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 | | - | - |
| 10- Provision for Doubtful Receivables from Main Operations | | - | - |
| **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** | **9.45.d** | **5,762,193** | **5,762,193** |
| 1- Investments in Equity Shares | | - | - |
| 2- Investments in Associates | 9.45.d | 5,762,193 | 5,762,193 |
| 3- Capital Commitments to Associates | | - | - |
| 4- Investments in Subsidiaries | | - | - |
| 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** | **21,415,727** | **22,053,735** |
| 1- Investment Properties | 6,7 | 25,873,087 | 25,873,087 |
| 2- Impairment for Investment Properties | | - | - |
| 3- Owner Occupied Property | 6 | 1,338,902 | 1,338,902 |
| 4- Machinery and Equipments | 6 | 3,868,855 | 3,415,282 |
| 5- Furniture and Fixtures | 6 | 2,369,601 | 2,152,454 |
| 6- Motor Vehicles | 6 | 797,979 | 781,765 |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 2,023,864 | 1,638,657 |
| 8- Tangible Assets Acquired Through Finance Leases | 6 | 1,224,180 | 1,283,363 |
| 9- Accumulated Depreciation | 6 | (16,080,741) | (14,429,775) |
| 10- Advances Paid for Tangible Assets (Including Construction in Progress) | | - | - |
| **F- Intangible Assets** | **8** | **2,383,010** | **1,970,323** |
| 1- Rights | 8 | 6,354,781 | 5,019,866 |
| 2- Goodwill | | - | - |
| 3- Pre-operating Expenses | | - | - |
| 4- Research and Development Costs | | - | - |
| 5- Other Intangible Assets | | - | - |
| 6- Accumulated Amortization | 8 | (3,971,771) | (3,049,543) |
| 7- Advances Paid for Intangible Assets | | - | - |
| **G- Prepaid Expenses and Income Accruals** | | **30,516** | **8,529** |
| 1- Prepaid Expenses | | 30,516 | 8,529 |
| 2- Income Accruals | | - | - |
| 3- Other Prepaid Expenses and Income Accruals | | - | - |
| **H- Other Non-Current Assets** | **21** | - | **900,361** |
| 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 | - | 900,361 |
| 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** | | **29,591,446** | **30,695,141** |
| **TOTAL ASSETS** | | **5,298,991,174** | **4,480,463,033** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| LIABILITIES | | | |
|---|---|---|---|
| **III- Short-Term Liabilities** | **Note** | **Audited Current Period 31 December 2010** | **Audited Prior Period 31 December 2009** |
| **A- Financial Liabilities** | | **-** | **-** |
| 1- Borrowings from Financial Institutions | | - | - |
| 2- Finance Lease Liabilities | 43 | - | 153 |
| 3- Deferred Leasing Costs (-) | | - | (153) |
| 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** | **2,674,173,962** | **1,992,656,876** |
| 1- Payables Arising from Insurance Operations | 19 | 2,751,562 | 963,434 |
| 2- Payables Arising from Reinsurance Operations | | - | - |
| 3- Cash Deposited by Insurance and Reinsurance Companies | 19, 10 | 543,884 | 413,348 |
| 4- Payables Arising from Individual Pension Business | 19 | 2,670,878,516 | 1,991,280,094 |
| 5- Payables Arising from Other Main Operations | | - | - |
| 6- Discount on Payables from Other Main Operations | | - | - |
| **C- Due to Related Parties** | **19** | **4,085** | **2,143** |
| 1- Due to Shareholders | 19 | 2,674 | 1,517 |
| 2- Due to Associates | | - | - |
| 3- Due to Subsidiaries | | - | - |
| 4- Due to Joint Ventures | | - | - |
| 5- Due to Personnel | | - | - |
| 6- Due to Other Related Parties | 19 | 1,411 | 626 |
| **D- Other Payables** | **19** | **6,022,753** | **11,217,811** |
| 1- Deposits and Guarantees Received | 19 | 201,082 | 169,207 |
| 2- Other Miscellaneous Payables | 19, 47 | 5,821,671 | 11,048,604 |
| 3- Discount on Other Miscellaneous Payables | | - | - |
| **E- Insurance Technical Provisions** | **17** | **2,155,205,866** | **2,036,883,589** |
| 1- Reserve for Unearned Premiums - Net | 17 | 8,081,645 | 6,030,485 |
| 2- Reserve for Unexpired Risks - Net | | - | - |
| 3- Life Mathematical Provisions - Net | 17 | 2,090,760,148 | 1,976,486,262 |
| 4- Provision for Outstanding Claims - Net | 17 | 55,143,756 | 53,983,594 |
| 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 | 17 | 1,220,317 | 383,248 |
| **F- Provisions for Taxes and Other Similar Obligations** | | **5,473,472** | **4,659,615** |
| 1- Taxes and Funds Payable | | 4,526,412 | 4,372,758 |
| 2- Social Security Premiums Payable | | 638,326 | 580,823 |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities | | | - |
| 4- Other Taxes and Similar Payables | | 12,734 | 14,300 |
| 5- Corporate Tax Payable | 35 | 15,435,000 | 18,709,000 |
| 6- Prepaid Taxes and Other Liabilities Regarding Current Year Income | 35 | (15,139,000) | (19,017,266) |
| 7- Provisions for Other Taxes and Similar Liabilities | | - | - |
| **G- Provisions for Other Risks** | **23** | **1,150,708** | **-** |
| 1- Provision for Employee Termination Benefits | | - | - |
| 2- Provision for Pension Fund Deficits | | - | - |
| 3- Provisions for Costs | 23 | 1,150,708 | - |
| **H- Deferred Income and Expense Accruals** | **19** | **1,332,794** | **1,763,592** |
| 1- Deferred Income | 19 | 1,160,520 | 1,121,543 |
| 2- Expense Accruals | 19 | 172,274 | 642,049 |
| 3- Other Deferred Income and Expense Accruals | | - | - |
| **I- Other Short-Term Liabilities** | | **54** | **51** |
| 1- Deferred Tax Liabilities | | - | - |
| 2- Inventory Count Differences | | 54 | 51 |
| 3- Other Various Short-Term Liabilities | | - | - |
| **III – Total Short-Term Liabilities** | | **4,843,363,694** | **4,047,183,677** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| LIABILITIES | | | |
|---|---|---|---|
| **IV- Long-Term Liabilities** | **Note** | **Audited Current Period 31 December 2010** | **Audited Prior Period 31 December 2009** |
| **A- Financial Liabilities** | | - | - |
| 1- Borrowings from Financial Institutions | | - | - |
| 2- Finance Lease Liabilities | | - | - |
| 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 Main Operations** | | - | - |
| 1- Payables Arising from Insurance Operations | | - | - |
| 2- Payables Arising from Reinsurance Operations | | - | - |
| 3- Cash Deposited by Insurance and Reinsurance Companies | | - | - |
| 4- Payables Arising from Individual Pension Business | | - | - |
| 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** | | - | - |
| 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 | | - | - |
| **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** | **22,23** | **3,566,916** | **3,387,351** |
| 1- Provision for Employee Termination Benefits | 22,23 | 3,566,916 | 3,387,351 |
| 2- Provision for Pension Fund Deficits | | - | - |
| **H- Deferred Income and Expense Accruals** | | - | - |
| 1- Deferred Income | | - | - |
| 2- Expense Accruals | | - | - |
| 3- Other Deferred Income and Expense Accruals | | - | - |
| **I- Other Long-Term Liabilities** | | **1,414,610** | - |
| 1- Deferred Tax Liabilities | 21 | 1,414,610 | - |
| 2- Other Long-Term Liabilities | | - | - |
| **IV- Total Long-Term Liabilities** | | **4,981,526** | **3,387,351** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| EQUITY | | | |
|---|---|---|---|
| V- Equity | Note | Audited Current Period 31 December 2010 | Audited Prior Period 31 December 2009 |
| **A- Paid in Capital** | **2.13,15** | **250,000,000** | **250,000,000** |
| 1- (Nominal) Capital | 2.13,15 | 250,000,000 | 250,000,000 |
| 2- Unpaid Capital | | - | - |
| 3- Positive Capital Restatement Differences | | - | - |
| 4- Negative Capital Restatement Differences | | - | - |
| **B- Capital Reserves** | | **-** | **-** |
| 1- Share Premiums | | - | - |
| 2- Cancellation Profits of Equity Shares | | - | - |
| 3- Profit on Sale Assets That Will Be Transferred to Capital | | - | - |
| 4- Currency Translation Adjustments | | - | - |
| 5- Other Capital Reserves | | - | - |
| **C- Profit Reserves** | | **124,070,260** | **95,429,217** |
| 1- Legal Reserves | 15 | 53,156,391 | 45,102,324 |
| 2- Statutory Reserves | 15 | 23,652,466 | 17,783,838 |
| 3- Extraordinary Reserves | 15 | 13,367,976 | 4,821,283 |
| 4- Special Funds | | - | - |
| 5- Revaluation of Financial Assets | 15, 16 | 33,893,427 | 27,721,772 |
| 6- Other Profit Reserves | | - | - |
| **D- Retained Earnings** | | **5,178,360** | **5,178,360** |
| 1- Retained Earnings | | 5,178,360 | 5,178,360 |
| **E- Accumulated Losses** | | **-** | **-** |
| 1- Accumulated Losses | | - | - |
| **F- Net Profit/(Loss) for the Year** | | **71,397,334** | **79,284,428** |
| 1- Net Profit for the Year | | 71,356,729 | 79,284,428 |
| 2- Net Loss for the Year | | - | - |
| 3- Profit not Available for Distribution | | 40,605 | - |
| **V- Total Equity** | | **450,645,954** | **429,892,005** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,298,991,174** | **4,480,463,033** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Income for the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| I-TECHNICAL SECTION | Note | Audited Current Period 31 December 2010 | Audited Prior Period 31 December 2009 |
|---|---|---|---|
| **A- Non-Life Technical Income** | **5** | **171,844** | **275,792** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 171,844 | 275,792 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 24 | 164,340 | 198,203 |
| 1.1.1- Written Premiums, gross | | 258,261 | 312,057 |
| 1.1.2- Written Premiums, ceded | 10 | (93,921) | (113,854) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | | 7,504 | 77,589 |
| 1.2.1- Reserve for Unearned Premiums, gross | | 19,970 | 60,946 |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10 | (12,466) | 16,643 |
| 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 - Transferred from Non-Technical Section | | - | - |
| 3- Other Technical Income (Net of Reinsurer Share) | | - | - |
| 3.1- Other Technical Income, gross | | - | - |
| 3.2- Other Technical Income, ceded | | - | - |
| **B- Non-Life Technical Expense** | **5** | **(397,551)** | **(219,678)** |
| 1- Incurred Losses (Net of Reinsurer Share) | | (161,567) | 9,997 |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (134,061) | (3,655) |
| 1.1.1- Claims Paid, gross | | (4,091,139) | (44,070) |
| 1.1.2- Claims Paid, ceded | 10 | 3,957,078 | 40,415 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | | (27,506) | 13,652 |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | | 77,783 | (91,637) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 10 | (105,289) | 105,289 |
| 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) | | (4,950) | (3,898) |
| 4- Operating Expenses | 32 | (231,034) | (225,776) |
| **C- Net Technical Income-Non-Life (A – B)** | | **(225,707)** | **56,114** |
| **D- Life Technical Income** | **5** | **551,195,278** | **724,687,409** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 348,064,197 | 495,155,744 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 24 | 350,122,861 | 494,703,845 |
| 1.1.1- Written Premiums, gross | | 357,352,064 | 499,735,795 |
| 1.1.2- Written Premiums, ceded | 10 | (7,229,203) | (5,031,950) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | | (2,058,664) | 451,899 |
| 1.2.1- Reserve for Unearned Premiums, gross | | (2,152,102) | 231,263 |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10 | 93,438 | 220,636 |
| 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 | 26 | 195,491,688 | 228,593,350 |
| 3- Unrealized Gains on Investments | | - | - |
| 4- Other Technical Income (Net of Reinsurer Share) | | 7,639,393 | 938,315 |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Income for the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| I-TECHNICAL SECTION | Note | Audited Current Period 31 December 2010 | Audited Prior Period 31 December 2009 |
|---|---|---|---|
| **E- Life Technical Expense** | **5** | **(537,249,963)** | **(717,437,227)** |
| 1- Incurred Losses (Net of Reinsurer Share) | | (409,280,143) | (414,348,765) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (400,733,338) | (411,989,278) |
| 1.1.1- Claims Paid, gross | | (401,626,730) | (412,599,475) |
| 1.1.2- Claims Paid, ceded | 10 | 893,392 | 610,197 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | | (8,546,805) | (2,359,487) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | | (8,604,406) | (2,598,602) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 10 | 57,601 | 239,115 |
| 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) | | (73,471,133) | (261,169,408) |
| 3.1- Change in Life Mathematical Provisions, gross | | (75,525,566) | (262,390,069) |
| 3.2- Change in Life Mathematical Provisions, ceded | 10 | 2,054,433 | 1,220,661 |
| 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) | | (832,119) | (360,244) |
| 6- Operating Expenses | 32 | (53,666,568) | (41,558,810) |
| 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)** | | **13,945,315** | **7,250,182** |
| **G- Pension Business Technical Income** | **5, 25** | **95,156,430** | **79,408,451** |
| 1- Fund Management Income | 25 | 55,617,732 | 40,309,120 |
| 2- Management Fee | 25 | 23,501,810 | 19,614,669 |
| 3- Entrance Fee Income | 25 | 15,711,175 | 19,148,408 |
| 4- Management Expense Charge in case of Suspension | 25 | 231,133 | 195,622 |
| 5- Income from Individual Service Charges | | - | - |
| 6- Increase in Value of Capital Allowances Given as Advance | 25 | 324 | - |
| 7- Other Technical Expense | 25 | 94,256 | 140,632 |
| **H- Pension Business Technical Expense** | **5** | **(82,036,396)** | **(67,894,890)** |
| 1- Fund Management Expense | | (11,383,014) | (8,407,646) |
| 2- Decrease in Value of Capital Allowances Given as Advance | | - | - |
| 3- Operating Expenses | 32 | (69,802,560) | (58,750,841) |
| 4- Other Technical Expenses | | (850,822) | (736,403) |
| **I- Net Technical Income - Pension Business (G – H)** | | **13,120,034** | **11,513,561** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Income for the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| II- NON-TECHNICAL SECTION | Note | Audited Current Period 31 December 2010 | Audited Prior Period 31 December 2009 |
|---|---|---|---|
| **C- Net Technical Income – Non-Life (A-B)** | | **(225,707)** | **56,114** |
| **F- Net Technical Income – Life (D-E)** | | **13,945,315** | **7,250,182** |
| **I - Net Technical Income – Pension Business (G-H)** | | **13,120,034** | **11,513,561** |
| **J- Total Net Technical Income (C+F+I)** | | **26,839,642** | **18,819,857** |
| **K- Investment Income** | **26** | **70,034,497** | **87,868,610** |
| 1- Income from Financial Assets | | 20,911,336 | 14,941,519 |
| 2- Income from Disposal of Financial Assets | | 18,712,905 | 25,066,656 |
| 3- Valuation of Financial Assets | | 17,052,876 | 37,383,849 |
| 4- Foreign Exchange Gains | 36 | 994,669 | 1,314,792 |
| 5- Income from Associates | 26 | 809,335 | 2,060,891 |
| 6- Income from Subsidiaries and Joint Ventures | | - | - |
| 7- Income from Property, Plant and Equipment | 7, 26 | 2,335,332 | 2,308,162 |
| 8- Income from Derivative Transactions | | 1,550,944 | 985,965 |
| 9- Other Investments | | 7,667,100 | 3,806,776 |
| 10- Income Transferred from Life Section | | - | - |
| **L- Investment Expense (-)** | | **(7,901,375)** | **(8,020,363)** |
| 1- Investment Management Expenses (inc. interest) | | (2,174,929) | (2,039,189) |
| 2- Diminution in Value of Investments | | (2,700) | - |
| 3- Loss from Disposal of Financial Assets | | (2,119,211) | (1,935,186) |
| 4- Investment Income Transferred to Non-Life Technical Section | | - | - |
| 5- Loss from Derivative Transactions | | - | - |
| 6- Foreign Exchange Losses | 36 | (856,035) | (1,595,288) |
| 7- Depreciation and Amortization Expenses | 6, 8 | (2,748,500) | (2,450,700) |
| 8- Other Investment Expenses | | - | - |
| **M- Income and Expenses From Other and Extraordinary Operation(+/-)** | | **(2,140,430)** | **(674,676)** |
| 1- Provisions | 47 | 200,539 | (1,009,976) |
| 2- Rediscounts | | - | - |
| 3- Specified Insurance Accounts | | - | - |
| 4- Monetary Gains and Losses | | - | - |
| 5- Deferred Taxation (Deferred Tax Assets) | 21 | - | 739,094 |
| 6- Deferred Taxation (Deferred Tax Liabilities) | 21 | (1,946,014) | - |
| 7- Other Income | | 4,019 | 303 |
| 8- Other Expenses and Losses | | (398,974) | (404,097) |
| 9- Prior Year's Income | | - | - |
| 10- Prior Year's Expenses and Losses | | - | - |
| **N- Net Profit for the Year** | **37** | **71,397,334** | **79,284,428** |
| 1- Profit for the Year | | 86,832,334 | 97,993,428 |
| 2- Corporate Tax Provision and Other Fiscal Liabilities | 35 | (15,435,000) | (18,709,000) |
| 3- Net Profit for the Year | 37 | 71,397,334 | 79,284,428 |
| 4- Monetary Gains and Losses | | - | - |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Changes in Equity

## For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| Audited Changes in Equity – 31 December 2009 | Note | Paid-in Capital | Own Shares of the Company(-) | Revaluation of Financial Assets | Inflation Adjustments |
|---|---|---|---|---|---|
| **I - Balance at the end of the previous year – 31 December 2008** | | **250,000,000** | **-** | **(16,149,997)** | **-** |
| **II – Change in Accounting Standards** | | - | - | - | - |
| **III – Restated balances (I+II) – 1 January 2009** | | **250,000,000** | **-** | **(16,149,997)** | **-** |
| 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 | | - | - | - | - |
| D- Change in the value of financial assets | 15 | - | - | 43,871,769 | - |
| E- Currency translation adjustments | | - | - | - | - |
| F- Other gains or losses | | - | - | - | - |
| G- Inflation adjustment differences | | - | - | - | - |
| H- Net profit for the year | | - | - | - | - |
| I – Dividends paid | | - | - | - | - |
| J- Other reserves and transfers from retained earnings | 15 | - | - | - | - |
| **IV - Balance at the end of the year – 31 December 2009** | | **250,000,000** | **-** | **27,721,772** | **-** |

| Audited Changes in Equity – 31 December 2010 | Note | Paid-in Capital | Own Shares of the Company(-) | Revaluation of Financial Assets | Inflation Adjustments |
|---|---|---|---|---|---|
| **I - Balance at the end of the previous year – 31 December 2009** | | **250,000,000** | | **27,721,772** | **-** |
| **II – Change in Accounting Standards** | | - | | - | - |
| **III – Restated balances (I+II) –1 January 2010** | | **250,000,000** | | **27,721,772** | **-** |
| 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 | | - | | - | - |
| D- Change in the value of financial assets | 15 | - | | 6,171,655 | - |
| E- Currency translation adjustments | | - | | - | - |
| F- Other gains or losses | | - | | - | - |
| G- Inflation adjustment differences | | - | | - | - |
| H- Net profit for the year | | - | | - | - |
| I – Dividends paid | | - | | - | - |
| J- Other reserves and transfers from retained earnings | 15 | - | | - | - |
| **IV - Balance at the end of the year – 31 December 2010** | | **250,000,000** | | **33,893,427** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Changes in Equity

## For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| Currency Translation Adjustments | Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit for the Year (or Loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **-** | **39,338,458** | **13,890,692** | **4,777,123** | **52,944,733** | **5,138,865** | **349,939,874** |
| - | - | - | - | - | - | - |
| **-** | **39,338,458** | **13,890,692** | **4,777,123** | **52,944,733** | **5,138,865** | **349,939,874** |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 43,871,769 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 79,284,428 | - | 79,284,428 |
| - | - | - | - | (43,204,066) | - | (43,204,066) |
| - | 5,763,866 | 3,893,146 | 44,160 | (9,740,667) | 39,495 | - |
| **-** | **45,102,324** | **17,783,838** | **4,821,283** | **79,284,428** | **5,178,360** | **429,892,005** |

| Currency Translation Adjustments | Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit for the Year (or Loss) | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **-** | **45,102,324** | **17,783,838** | **4,821,283** | **79,284,428** | **5,178,360** | **429,892,005** |
| - | - | - | - | - | - | - |
| **-** | **45,102,324** | **17,783,838** | **4,821,283** | **79,284,428** | **5,178,360** | **429,892,005** |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 6,171,655 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 71,397,334 | - | 71,397,334 |
| - | - | - | - | (56,815,040) | - | (56,815,040) |
| - | 8,054,067 | 5,868,628 | 8,546,693 | (22,469,388) | - | - |
| **-** | **53,156,391** | **23,652,466** | **13,367,976** | **71,397,334** | **5,178,360** | **450,645,954** |

# Anadolu Hayat Emeklilik A.Ş.

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

| | Note | Audited Current Period 31 December 2010 | Audited Current Period 31 December 2009 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| 1. Cash provided from insurance activities | | 574,302,308 | 685,550,024 |
| 2. Cash provided from reinsurance activities | | 130,536 | - |
| 3. Cash provided from individual pension business | | 93,237,766 | 89,844,788 |
| 4. Cash used in insurance activities | | (454,639,558) | (455,484,081) |
| 5. Cash used in reinsurance activities | | - | (45,812) |
| 6. Cash used in individual pension business | | (67,586,799) | (68,802,294) |
| **7. Cash provided by operating activities** | | **145,444,253** | **251,062,625** |
| 8. Interest paid | | - | - |
| 9. Income taxes paid | | (17,268,730) | (14,405,000) |
| 10. Other cash inflows | | 6,940,845 | 16,351,605 |
| 11. Other cash outflows | | (58,558,802) | (18,586,810) |
| **12. Net cash provided by operating activities** | | **76,557,566** | **234,422,420** |
| **B. Cash flows from investing activities** | | | |
| 1. Proceeds from disposal of tangible assets | | 45,959 | 457,544 |
| 2. Acquisition of tangible assets | 6 | (1,233,701) | (1,419,898) |
| 3. Acquisition of financial assets | | (105,212,389) | (128,010,181) |
| 4. Proceeds from disposal of financial assets | | - | - |
| 5. Interests received | | 89,041,805 | (19,084,424) |
| 6. Dividends received | | - | - |
| 7. Other cash inflows | | 13,030,210 | 8,415,695 |
| 8. Other cash outflows | | (4,049,002) | (9,337,791) |
| **9. Net cash provided by investing activities** | | **(8,377,118)** | **(148,979,055)** |
| **C. Cash flows from financing activities** | | | |
| 1. Equity shares issued | | - | - |
| 2. Cash provided from loans and borrowings | | - | - |
| 3. Finance lease payments | | - | (695) |
| 4. Dividends paid | | (56,815,040) | (43,204,066) |
| 5. Other cash inflows | | - | - |
| 6. Other cash outflows | | - | - |
| **7. Net cash provided by financing activities** | | **(56,815,040)** | **(43,204,761)** |
| **D. Effect of exchange rate fluctuations on cash and cash equivalents** | | - | - |
| **E. Net increase/(decrease)in cash and cash equivalents** | | **11,365,408** | **42,238,604** |
| **F. Cash and cash equivalents at the beginning of the year** | **14** | 117,186,128 | 74,947,524 |
| **G. Cash and cash equivalents at the end of the year** | **14** | **128,551,536** | **117,186,128** |

# Anadolu Hayat Emeklilik A.Ş.

## Unconsolidated Statement of Profit Distribution

## For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| | Note | Current Period (**) 31 December 2010 | Prior Period 31 December 2009 |
|---|---|---|---|
| **I. DISTRIBUTION OF THE PERIOD PROFIT** | | | |
| 1.1. PERIOD PROFIT (*) | | 88,179,608 | 97,993,428 |
| 1.2. TAXES AND DUTIES PAYABLE | | (15,435,000) | (18,709,000) |
| 1.2.1. Corporate Tax (Income Tax) | | (15,435,000) | (18,709,000) |
| 1.2.2. Income Tax Deductions | | - | - |
| 1.2.3. Other Taxes and Legal Duties | | - | - |
| **A. CURRENT PERIOD PROFIT (1.1 – 1.2)** | | **72,744,608** | **79,284,428** |
| 1.3. ACCUMULATED LOSSES (-) | | - | - |
| 1.4. FIRST LEGAL RESERVES (-) | | (3,567,836) | (3,622,563) |
| 1.5. OTHER STATUTORY RESERVES (-) | | - | - |
| **B. NET PROFIT AVAILABLE FOR DISTRIBUTION** [ (A - (1.3 + 1.4 + 1.5) ] | | **69,176,772** | **75,661,865** |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | | - | (15,160,546) |
| 1.6.1. To owners of ordinary shares | | - | (15,160,546) |
| 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 (-) | | | (1,815,040) |
| 1.8. DIVIDENDS TO FOUNDERS (-) | | - | - |
| 1.9. DIVIDENDS TO BOARD OF DIRECTORS (-) | | - | - |
| 1.10. SECOND DIVIDEND TO SHAREHOLDERS (-) | | - | (39,839,454) |
| 1.10.1. To owners of ordinary shares | | - | (39,839,454) |
| 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 (-) | | - | (4,431,504) |
| 1.12. STATUTORY RESERVES(-) | | - | (5,868,628) |
| 1.13. EXTRAORDINARY RESERVES | | - | (8,546,693) |
| 1.14 OTHER RESERVES | | - | - |
| 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 | | 0.29098 | 0.31714 |
| 3.2. TO OWNERS OF ORDINARY SHARES (%) | | 29.098 | 31.714 |
| 3.3. TO OWNERS OF PRIVILEGED SHARES | | 0.29098 | 0.31714 |
| 3.4. TO OWNERS OF PRIVILEGED SHARES (%) | | 29.098 | 31.714 |
| **IV. DIVIDEND PER SHARE** | **38** | | **-** |
| 4.1. TO OWNERS OF ORDINARY SHARES | | | 0.22 |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | | | 22.0 |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | | | 0.22 |
| 4.4. TO OWNERS OF PRIVILEGED SHARES (%) | | | 22.0 |

(*) Consolidated current year profit is used for profit distribution as per the legislation announced by the Capital Market Board weekly bulletin numbered 2010/4. 75% of the gain on sale of investments in equity amounting to TRY 40,605 to be transferred to the share capital is not taken into consideration for the year ended 31 December 2010 per Corporate Tax Law article 5 and recorded as “Profit not Available for Distribution” under equity (31 December 2009: None).
(**) As of the report date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the profit distribution table above.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 1 General information

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

Anadolu Hayat Emeklilik Anonim Şirketi ("the Company") has been operating since 31 May 1990 and the shareholding structure of the Company is presented below. As at 31 December 2010, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası A.Ş. ("İş Bankası") by 83.0% of the outstanding shares of the Company.

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| **Name** | **Shareholding amount (TRY)** | **Shareholding rate (%)** | **Shareholding amount (TRY)** | **Shareholding rate (%)** |
| Türkiye İş Bankası A.Ş. | 155,000,000 | 62.0 | 155,000,000 | 62.0 |
| Anadolu Anonim Türk Sigorta Şirketi | 50,000,000 | 20.0 | 50,000,000 | 20.0 |
| Millî Reasürans T.A.Ş. | 2,500,000 | 1.0 | 2,500,000 | 1.0 |
| Fortis Bank A.Ş. | - | - | 2,500,000 | 1.0 |
| Publicly traded | 42,500,000 | 17.0 | 40,000,000 | 16.0 |
| **Paid in capital** | **250,000,000** | **100.0** | **250,000,000** | **100.0** |

### 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 and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code ("TTK"). The address of the Company's registered office is İş Kuleleri Kule 2 Kat: 20, 34330, 4. Levent, İstanbul.

### 1.3 Business of the Company

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

As at 31 December 2010, the Company has 19 individual pension investment funds (31 December 2009: 17).

### 1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 – *Business of the Company* and contracts in individual pension business by conducting it operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued on 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No.4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Prime Ministry Undersecretariat of the Treasury of the Turkish Republic (the "Turkish Treasury") based on the Insurance Law and the Individual Pension Law.

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 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 level managers | 6 | 6 |
| Directors | 79 | 65 |
| Officers | 255 | 241 |
| Contracted personnel | 6 | 7 |
| Marketing and sales personnel | 287 | 254 |
| Other | 20 | 21 |
| **Total** | **653** | **594** |

### 1.6 Wages and similar benefits provided to the senior management

As at and 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, CEO, and deputy chief executive officer amounted to TRY 3,063,845 (31 December 2009: TRY 2,721,351).

### 1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) 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 companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury. Known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments, other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the average number of policies and contracts issued within last 3 years. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

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

As at balance sheet date, distribution of the operating expense between life, non-life and pension branches is presented in note 5 – *Segment distribution.*

### 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 detailed in note 2.2 - *Consolidation*.

# Anadolu Hayat Emeklilik A.Ş.

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

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

| | |
|---|---|
| Trade name of the Company | : Anadolu Hayat Emeklilik A.Ş. |
| Registered address of the head office | : İş Kuleleri, Kule 2 Kat 20 34330, Levent/İstanbul |
| The web page of the Company | : anadoluhayat.com.tr |
| E-mail address of the Company | : hizmet@anadoluhayat.com.tr |
| Phone | : 0212 317 70 70 |
| Fax | : 0212 317 70 77 |

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

### 1.10 Subsequent Events

According to 13th article 7th subclause paragraph A of “Circular Related to the Insurance Services (Framework and Audit) Law of the Turkish Republic of Northern Cyprus” is published in the Official Gazette of the Turkish Republic of Northern Cyprus dated 31 December 2010 and numbered 221, minimum paid-in-capital for insurance companies operating in life branch should be TRY 4,000,000. In accordance with the temporary 2nd Article of the aforementioned law, the insurance and reinsurance companies established or had the pre-permission before the issuance of the aforementioned law may comply with the minimum required paid-in-capital within four years by making payments in each January. The payments cannot be below one fourth of the required capital. Paid-in-capital of the Company’s branch operating in the Turkish Republic of Northern Cyprus increased to TRY 1,000,000 as at 28 January 2011 to comply with the aforementioned law.

## 2 Significant accounting policies

### 2.1 Basis of preparation

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

In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company 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.

# Anadolu Hayat Emeklilik A.Ş.

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

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

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury, it is stated that although, insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements,* subsidiaries, associates and joint-ventures could be accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of TAS 27 – *Consolidated and Separate Financial Statements.* "Circular Related to the Presentation of Financial Statements", issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette, regulates the content of the financial statements to make them comparable with the financial statements of previous periods and the other companies.

**Additional paragraph for convenience translation to English**

The differences between 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.

### 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 balance sheet date, and that corresponding figures for previous years be restated in the same terms.

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2010, 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 costs or values.

**Other accounting policies**

Information regarding to other accounting polices is explained above in the section of note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

### 2.1.3 Functional and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in TRY, which is the functional and presentation currency of the Company.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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

Financial information presented in TRY, has been rounded to the nearest TRY 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 and financial investments with risks on saving life policyholders classified as available-for-sale financial assets which are measured at their fair values unless reliable measures are available.

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

There have been no changes in the accounting policies or errors in the current year. The Company presented loans to policyholders balance amounting to TRY 42,408,980 as "Provision for Outstanding Claims" as at 31 December 2009 and reclassified related amount as "Loans to Policyholders" to confirm with the current year presentation. Due to the afore-mentioned reclassification, the asset size of the Company increased from TRY 4,438,054,053 to TRY 4,480,463,033 as at 31 December 2009.

Critical accounting judgments made in applying the Company's accounting policies are explained in note 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 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi A.Ş.

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 balance sheet date the Company has accounted for its associate at cost less impairment losses, if any.

### 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.

### 2.4 Foreign currency transactions

Transactions are recorded in TRY, 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 exchange rates ruling at the balance sheet date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 2.5 Tangible assets

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

| Tangible assets | Estimated useful lives (years) | Depreciation rates (%) |
|---|---|---|
| Buildings | 50 years | 2.00 |
| Machinery and equipment | 3-16 years | 6.25-33.33 |
| Fixtures and furniture | 4-13 years | 7.69-25.00 |
| Vehicles | 5 years | 20.00 |
| Other tangible assets (includes leasehold improvements) | 5 years | 20.00 |
| Leased assets | 4-15 years | 6.66-25.00 |

### 2.6 Investment properties

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.

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### 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 years) over the cost of the asset.

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

### 2.8 Financial assets

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

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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.

*Associates* are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates 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.

**Specific instruments**

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortized costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions – life mathematical provisions'. As at 31 December 2010, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounting to TRY 112,598,382 (31 December 2009: TRY 71,854,732) is recorded in life mathematical provisions.

*Receivables from individual pension operations* consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses.

**Derecognition**

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

### 2.9 Impairment on assets

**Impairment on financial assets**

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

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.

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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 balance sheet 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*.

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.

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As at 31 December 2010, the Company's issued capital is TRY 250,000,000 (31 December 2009: TRY 250,000,000).

### Sources of the capital increases during the year

None.

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### Privileges on common shares representing share capital

As at 31 December 2010, the issued share capital of the Company is TRY 250,000,000, (31 December 2009: TRY 250,000,000) and the share capital of the Company consists of 25,000,000,000, (31 December 2009: 25,000,000,000 shares) issued shares with TRY 0.01 nominal value each. The Company's share capital is divided into group A and group B shares. The share capital is represented by 100,000,000 Group A shares of TRY 0.01 each and Group B shares of the remaining amount. Among nine members of the Board of Directors, six are elected among candidates nominated by Group A shareholders while three are elected among candidates nominated by Group B shareholders.

### Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of 31 December 2010, the Company's registered capital is TRY 300,000,000 (31 December 2010: TRY 300,000,000).

### 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 mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

### 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.

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### 2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

### 2.17 Liabilities

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

*Payables from individual pension business* consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. This account means Company's liabilities to individual pension agencies in return of their services.

### 2.18 Income taxes

#### Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 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.

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### Deferred tax

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

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

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

### Transfer pricing

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

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

### 2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labor 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 TRY 2,517.01 (31 December 2009: TRY 2,365.16).

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 | 4.80% | 4.80% |
| Estimated employee turnover rate | 4.23% | 4.23% |

### 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.

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### 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 balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the footnotes to the financial statements.

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

Written premiums represent premiums on policies written during the year net of taxes, premiums of the cancelled policies which were produced in prior years and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the profit or loss statement.

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

#### Commission income and expense

As further disclosed in *Note 2.24*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by 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.

In order to net-off the receivable accounts in compliance with the matching principle, The Company reserves a provision of commissions to intermediaries over the accrued but uncollected receivables from policyholders balance as of balance sheet date. While the commissions to intermediaries for non-life branches are not accrued, the commission amount that has to be paid in case of the collection of receivables is calculated on the basis of policy for life branch.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Turkish Treasury on 28 December 2007, starting from 10 January 2008, deferred reinsurance commissions are presented in “Deferred Income” account in the balance sheet.

#### Interest income and expense

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

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

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### 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.

### Income from individual pension operations

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

Management fee is levied on contributions of the participants up to 8% and recognized as income.

Entrance fees are received by the Company from participants during the entrance into the system and for the opening of a new individual pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract. In the outstanding individual pension contracts of the Company, significant portion of the entrance fees is deferred to the end of the contract. The deferred and contingent entrance fees are recorded into income statement.

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

### 2.22 Leasing transactions

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

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

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

### 2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash.

Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recorded as liability in the financial statements when they are announced.

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### 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 balance sheet date for all short- term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

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.

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (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.

The test is performed on branch basis and in case where the 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. As at 31 December 2010 and 2009, related test have not resulted any deficiency in the premiums of the Company.

### 2.26 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 balance sheet date as well as the corresponding handling costs.

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655.

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Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current balance sheet date, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before balance sheet date. Accordingly, as at the balance sheet date, the Company has provided for IBNR, net off ceded amounting to TRY 3,218,627 (31 December 2009: TRY 2,809,342).

According to the 7th article 6th subclause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. According to the Communiqué numbered 2010/12; the difference between the result of the actuarial chain ladder method and reported but not settled claims are accepted as IBNR claims. As at 31 December 2010, the result of the actuarial chain ladder method is more than reported but not settled claims for personal accident branch. Therefore, the Company recorded IBNR as the difference the actuarial chain ladder method and reported but not settled claims for personal accident branch. According to the Communiqué, last five or more than five years' weighted average calculated by dividing total amount of incurred but not reported claims after deducting salvage and subrogation related to these files to premium production of the related years is considered in the calculation of IBNR. As of the current balance sheet date, IBNR is recorded as 80% of the result obtained by multiplying weighted average IBNR ratio by the premium production of last 12 months before balance sheet date. Accordingly, as at the balance sheet date, the Company has provided for IBNR, net off ceded amounting to TRY 34,885 (31 December 2009: TRY 19,628).

In accordance with the Communiqué on Technical Reserves, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each fiscal year. In case where the adequacy ratio of provision of outstanding claims, measured by considering the preceding five years' weighted average (excluding current year) as computed under the principles promulgated by the Turkish Treasury, is less than 95%, the amount calculated by multiplying current provision for outstanding claims with the difference between adequacy ratio of provision of outstanding claims and 95% is added to provision for outstanding claims. This test is performed on a branch basis. In the preparation of adequacy tables and the calculation of provision for outstanding claims, all provisions for reported but not settled claims, IBNR claims and claim handling costs are taken into consideration. As at 31 December 2010, this adequacy test has not resulted in additional provision for outstanding claims (31 December 2009: TRY 3,746).

### 2.27 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. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation

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method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 – *Financial assets* above.

### 2.28 Equalization provision

According to "Communiqué on Technical Reserves", companies should book equalization provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognize equalization provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on 28 July 2010 and numbered 27655 "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the calculation of equalization provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalization provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalization provisions amounting to TRY 1,220,317 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (31 December 2009: TRY 383,248).

### 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 Earnings 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. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

### 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

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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 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* – *Reserve for unexpired risks*

*Note 2.26* – *Provision for outstanding claims*

*Note 2.27* – *Mathematical provisions*

*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*

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*Note 9 – Investments in associates*

*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 contracts and policies used to minimize such risks:**

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non coverage of the claims paid by the premiums collected.

As at 31 December 2010, the Company's life insurance claims/premiums ratio stands at 27%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyzes its claims/premiums ratio periodically in order to identify its insurance risks.

As at 31 December 2010, the Company's personal accident insurance claims/premiums ratio is 44%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement years is presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Life Insurance | 27% | 25% |
| Personal Accident | 44% | 12% |

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

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As at 31 December 2010 and 2009, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Death by natural cause | 6% | 5% |
| Death by accident | 32% | 24% |
| Disability by accident | 46% | 38% |
| Disability by illness | 41% | 35% |

### Sensitivity to insurance risk

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. As a result of these agreements, if the Company's "death by natural cause" risk account exceeds TRY 110,000 or "death by accident" risk account exceeds TRY 240,000 in its individual life branch in 2010, the Company transfers the exceeding claim payments to reinsurers. The Company also transfers the exceeding claim payments to reinsurers if the Company's "death by natural cause" risk account exceeds TRY 210,000 or "death by accident" risk account exceeds TRY 340,000 for its group life policies.

Outstanding claims are reviewed and updated periodically by the experts of the Company's Claims Department.

### Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

| | 31 December 2010 | | |
|---|---|---|---|
| **Branches** | **Total gross risk liability (*)** | **Reinsurer's share of risk liability** | **The company's net claims liability** |
| Life insurance | 27,027,457,484 | 4,337,019,192 | 22,690,438,292 |
| Personal accident | 1,596,369,826 | 862,215,619 | 734,154,207 |
| **Total** | **28,623,827,310** | **5,199,234,811** | **23,424,592,499** |

| | 31 December 2009 | | |
|---|---|---|---|
| **Branches** | **Total gross risk liability (*)** | **Reinsurer's share of risk liability** | **The company's net claims liability** |
| Life insurance | 25,287,138,417 | 3,441,283,918 | 21,845,854,499 |
| Personal accident | 1,656,196,750 | 644,222,015 | 1,011,974,735 |
| **Total** | **26,943,335,167** | **4,085,505,933** | **22,857,829,234** |

(*) Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

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The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarized as below:

| | 31 December 2010 | | |
|---|---|---|---|
| **Claims liability total (*)** | **Total gross claims liability** | **Reinsurer's share of claims liability** | **Total net claims liability** |
| Marmara Region | 19,805,929 | 447,179 | **19,358,750** |
| Central Anatolian Region | 8,991,413 | - | **8,991,413** |
| Aegean Region | 6,855,567 | 775 | **6,854,792** |
| Mediterranean Region | 5,551,195 | 1,289 | **5,549,906** |
| Black Sea Region | 3,981,817 | 226 | **3,981,591** |
| South East Anatolian Region | 2,324,141 | 278 | **2,323,863** |
| East Anatolian Region | 2,099,911 | - | **2,099,911** |
| Foreign countries (other) | 2,730,018 | - | **2,730,018** |
| **Total** | **52,339,991** | **449,747** | **51,890,244** |

| | 31 December 2009 | | |
|---|---|---|---|
| **Claims liability total (*)** | **Total gross claims liability** | **Reinsurer's share of claims liability** | **Total net claims liability** |
| Marmara Region | 19,391,796 | 419,977 | **18,971,819** |
| Central Anatolian Region | 8,577,362 | 139 | **8,577,223** |
| Aegean Region | 7,194,706 | 378 | **7,194,328** |
| Mediterranean Region | 5,674,997 | 121 | **5,674,876** |
| Black Sea Region | 4,376,646 | 44 | **4,376,602** |
| South East Anatolian Region | 2,368,576 | 148 | **2,368,428** |
| East Anatolian Region | 2,131,915 | 3 | **2,131,912** |
| Foreign countries (other) | 1,855,698 | 8 | **1,855,690** |
| **Total** | **51,571,696** | **420,818** | **51,150,878** |

(*) Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

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### Comparison of incurred claims with past estimations

Outstanding claims reserve adequacy table in terms of branches as at 31 December 2009 is presented below. The table shows outstanding claims reserve adequacy rate which is the proportion of total outstanding claims reserve that the Company provided in the last 5 years to total compensation amount actually paid including all expenses related to the claims. When the arithmetical average of the last 5 years of the separately calculated outstanding claims reserve adequacy rate, excluding the current financial year, is below 95%, the amount of adequacy rate difference is calculated by multiplying the difference between the related rate and 95% by the current year's outstanding claims reserve.

| Outstanding claims adequacy rates | Rate |
|---|---|
| ***Life:*** | |
| Accrued | 376.0% |
| Incurred but not reported | 97.0% |
| ***Personal accident:*** | |
| Accrued | 21,633.0% |
| Incurred but not reported | 76.0% |

As at 31 December 2010, there is not any deficiency in the outstanding claims reserve of the Company.

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets.*

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

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

### 4.2 Financial risk management

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's risk management program focuses on minimizing the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

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### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables
- The review of the Company's third party relations are presented below.

*Reinsurers:* Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

*Agencies:* Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

*Policyholders:* Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

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As at 31 December 2010 and 2009, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

| **31 December 2010** | **Receivables (*)** | | | | | **Banks and other cash and cash equivalent assets** |
|---|---|---|---|---|---|---|
| | **Receivables from insurance activities** | | **Other receivables** | | | |
| | **Related party** | **Third party** | **Related party** | **Third party** | **Financial assets** | |
| **Maximum credit risk exposure as at the reporting date (A+B+C)** | - | **55,591,090** | **92,711** | **6,323,295** | **2,342,115,384** | **129,116,414** |
| - Secured portion of maximum risk by guarantees, provisions, etc. | - | - | - | - | - | - |
| A. Net book value of neither past due nor impaired financial assets | - | 50,123,480 | 92,711 | 6,323,295 | 2,342,115,384 | 129,116,414 |
| B. Net book value of past due but not impaired assets | - | 5,467,610 | - | - | - | |
| C. Net book value of impaired assets | - | - | - | - | - | - |
| - Gross book value | - | 120,570 | - | - | - | - |
| - Impairment | - | (120,570) | - | - | - | - |
| - Secured portion of net book value by guarantees, provisions, etc. | - | - | - | - | - | - |

| **31 December 2009** | **Receivables (*)** | | | | | **Banks and other cash and cash equivalent assets** |
|---|---|---|---|---|---|---|
| | **Receivables from insurance activities** | | **Receivables from insurance activities** | | | |
| | **Related party** | **Third party** | **Related party** | **Third party** | **Financial assets** | |
| **Maximum credit risk exposure as at the reporting date (A+B+C)** | | **50,259,595** | **712,900** | **4,790,431** | **2,215,328,741** | **121,587,947** |
| - Secured portion of maximum risk by guarantees, provisions, etc. | - | - | - | | - | |
| A. Net book value of neither past due nor impaired financial assets | - | 43,830,867 | 712,900 | 4,790,431 | 2,215,328,741 | 121,587,947 |
| B. Net book value of part due but not impaired assets | | 6,428,728 | - | - | - | |
| C. Net book value of impaired assets | | - | - | - | - | - |
| - Gross book value | | 400,789 | - | - | - | - |
| - Impairment | - | (400,789) | - | - | - | - |
| - Secured portion of net book value by guarantees, provisions, etc. | - | - | - | - | - | - |

(*) Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by IMKB Takas ve Saklama Bankası A.Ş. (the "ISE Settlement and Custody Bank").

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### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at 31 December 2010, maturity analyses of the Company's assets and liabilities are presented in the table below:

| 31 December 2010 | Without maturity | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 56,293,177 | 72,775,963 | - | - | - | - | - | 129,069,140 |
| Financial assets and investments with risks on policyholders | - | 297,516 | 193,473,558 | 60,498,910 | 649,422,758 | 1,405,982,591 | 143,287,656 | 2,452,962,989 |
| Receivables from main operations | - | 274,316 | 462,567 | 1,264,115 | - | - | 2,673,549,932 | 2,675,550,930 |
| Due from related parties | - | - | 92,711 | - | - | - | - | 92,711 |
| Other receivables | - | 5,693,029 | - | - | - | - | 630,266 | 6,323,295 |
| Prepaid expenses and income accruals, short term | - | 32,376 | 64,752 | 291,384 | - | - | 4,386,874 | 4,775,386 |
| Other current assets | - | - | - | - | - | - | 625,277 | 625,277 |
| Financial assets (Associates) | - | - | - | - | - | - | 5,762,193 | 5,762,193 |
| Tangible assets | - | - | - | - | - | - | 21,415,727 | 21,415,727 |
| Intangible assets | - | - | - | - | - | - | 2,383,010 | 2,383,010 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | - | 30,516 | 30,516 |
| Deferred tax assets | - | - | - | - | - | - | - | - |
| **Total assets** | **56,293,177** | **79,073,200** | **194,093,588** | **62,054,409** | **649,422,758** | **1,405,982,591** | **2,852,071,451** | **5,298,991,174** |
| Financial liabilities | - | 1,651,841 | 1,012,370 | 543,884 | - | - | 2,670,965,867 | 2,674,173,962 |
| Payables arising from main operations | - | - | - | 2,674 | - | - | 1,411 | 4,085 |
| Due to related parties | - | 3,997,061 | - | - | - | - | 2,025,692 | 6,022,753 |
| Other payables | - | - | - | - | - | - | 2,155,205,866 | 2,155,205,866 |
| Insurance technical provisions | - | 5,164,738 | - | 296,000 | - | - | 12,734 | 5,473,472 |
| Provisions for taxes and other similar obligations | - | 415,000 | - | - | - | 3,566,916 | 735,708 | 4,717,624 |
| Deferred income and expense accruals | - | - | - | - | - | - | 1,332,794 | 1,332,794 |
| Other short term liabilities | - | - | - | - | - | - | 54 | 54 |
| Provisions for other risks | | | | | | | 1,414,610 | 1,414,610 |
| Shareholders' equity | - | - | - | - | - | - | 450,645,954 | 450,645,954 |
| **Total liabilities** | **-** | **11,228,640** | **1,012,370** | **842,558** | **-** | **3,566,916** | **5,282,340,690** | **5,298,991,174** |
| **Net liquidity surplus/ (deficit)** | **56,293,177** | **67,844,560** | **193,081,218** | **61,211,851** | **649,422,758** | **1,402,415,675** | **(2,430,269,239)** | **-** |

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| 31 December 2009 | Without maturity | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 45,855,825 | 34,849,285 | 36,837,672 | 4,001,056 | - | - | - | 121,543,838 |
| Financial assets and investments with risks on policyholders | - | 6,785,464 | 4,114,876 | 1,275,589,236 | 637,425,670 | 285,590,102 | 106,871,094 | 2,316,376,442 |
| Receivables from main operations | - | - | - | - | - | - | 2,002,751,157 | 2,002,751,157 |
| Due from related parties | - | - | - | 712,900 | - | - | - | 712,900 |
| Other receivables | - | 4,203,419 | - | - | - | - | 587,012 | 4,790,431 |
| Prepaid expenses and income accruals, short term | - | 25,228 | 50,454 | 164,800 | - | - | 3,199,434 | 3,439,916 |
| Other current assets | - | - | - | - | - | - | 153,208 | 153,208 |
| Financial assets (Associates) | - | - | - | - | - | - | 5,762,193 | 5,762,193 |
| Tangible assets | - | - | - | - | - | - | 22,053,735 | 22,053,735 |
| Intangible assets | - | - | - | - | - | - | 1,970,323 | 1,970,323 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | - | 8,529 | 8,529 |
| Deferred tax assets | - | - | - | - | - | - | 900,361 | 900,361 |
| **Total assets** | **45,855,825** | **45,863,396** | **41,003,002** | **1,280,467,992** | **637,425,670** | **285,590,102** | **2,144,257,046** | **4,480,463,033** |
| Financial liabilities | - | 153 | - | - | - | - | (153) | - |
| Payables arising from main operations | - | 3,114,575 | - | 481,583 | - | - | 1,989,060,718 | 1,992,656,876 |
| Due to related parties | - | - | - | - | - | - | 2,143 | 2,143 |
| Other payables | - | 3,639,486 | - | - | - | - | 7,578,325 | 11,217,811 |
| Insurance technical provisions | - | - | - | - | - | - | 2,036,883,589 | 2,036,883,589 |
| Provisions for taxes and other similar obligations | - | 4,953,581 | - | - | - | - | (293,966) | 4,659,615 |
| Deferred income and expense accruals | - | 642,049 | - | - | - | - | 1,121,543 | 1,763,592 |
| Other short term liabilities | - | - | - | - | - | - | 51 | 51 |
| Provisions for other risks | - | - | - | - | - | 3,387,351 | - | 3,387,351 |
| Shareholders' equity | - | - | - | - | - | - | 429,892,005 | 429,892,005 |
| **Total liabilities** | **-** | **12,349,844** | - | **481,583** | **-** | **3,387,351** | **4,464,244,255** | **4,480,463,033** |
| **Net liquidity surplus/ (deficit)** | **45,855,825** | **33,513,552** | **41,003,002** | **1,279,986,409** | **637,425,670** | **282,202,751** | **(2,319,987,209)** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 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.

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

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

| Foreign currency position table – 31 December 2010 | | | | | | |
|---|---|---|---|---|---|---|
| | **Total TRY (Functional currency)** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
| 1. Cash at banks | **2,267,322** | 1,588,941 | 407,746 | 247,913 | 22,722 | - |
| 2. Financial assets and financial investments with risks on policyholders | **306,079,179** | 205,151,089 | 88,037,721 | 12,890,369 | - | - |
| 3. Receivables from main operations | **580,774** | 437,575 | 137,966 | 3,982 | - | 1,251 |
| 4. Reinsurance receivables | **26,968** | - | 26,968 | - | - | - |
| 5. Rent receivables | **3,757** | 3,757 | - | - | - | - |
| 6. Deposits given | **22,613** | 22,613 | - | - | - | - |
| **Foreign currency assets, current** | **308,980,613** | **207,203,975** | **88,610,401** | **13,142,264** | **22,722** | **1,251** |
| **7. Total assets** | **308,980,613** | **207,203,975** | **88,610,401** | **13,142,264** | **22,722** | **1,251** |
| 8. Finance lease liabilities | **-** | - | - | - | - | - |
| 9. Payables to reinsurers | **17,737** | 15,938 | - | - | 10 | 1,789 |
| 10. Agency guarantees | **145,981** | 132,482 | 13,499 | - | - | - |
| 11. Technical provisions | **248,330,562** | 171,431,236 | 68,984,843 | 7,770,376 | 26,631 | 117,476 |
| **Foreign currency liabilities, short term** | **248,494,280** | **171,579,656** | **68,998,342** | **7,770,376** | **26,641** | **119,265** |
| **12. Total liabilities** | **248,494,280** | **171,579,656** | **68,998,342** | **7,770,376** | **26,641** | **119,265** |
| **Net on-balance sheet position** | **60,486,333** | **35,624,319** | **19,612,059** | **5,371,888** | **(3,919)** | **(118,014)** |
| **Net long/(short) position on monetary items** | **60,463,720** | **35,601,706** | **19,612,059** | **5,371,888** | **(3,919)** | **(118,014)** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| Foreign currency position table – 31 December 2009 | | | | | | |
|---|---|---|---|---|---|---|
| | **Total TRY (Functional currency)** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
| 1. Cash at banks | **549,456** | 187,719 | 353,563 | 7,803 | 371 | - |
| 2. Financial assets and financial investments with risks on policyholders | **242,495,003** | 162,484,134 | 70,345,618 | 9,665,251 | - | - |
| 3. Receivables from main operations | **677,804** | 522,624 | 149,912 | 5,268 | - | - |
| 4. Reinsurance receivables | **69,056** | - | 69,056 | - | - | - |
| 5. Rent receivables | **4,600** | 4,600 | - | - | - | - |
| 6. Deposits given | **21,807** | 21,807 | - | - | - | - |
| **Foreign currency assets, current** | **243,817,726** | **163,220,884** | **70,918,149** | **9,678,322** | **371** | **-** |
| **7. Total assets** | **243,817,726** | **163,220,884** | **70,918,149** | **9,678,322** | **371** | **-** |
| 8. Finance lease liabilities | 153 | 153 | - | - | - | - |
| 9. Payables to reinsurers | 63,021 | 61,282 | - | 1,051 | 93 | 595 |
| 10. Agency guarantees | 145,988 | 131,757 | 14,231 | - | - | - |
| 11. Technical provisions | 224,678,694 | 150,203,657 | 65,568,516 | 8,724,157 | 32,052 | 150,312 |
| **Foreign currency liabilities, short term** | **224,887,856** | **150,396,849** | **65,582,747** | **8,725,208** | **32,145** | **150,907** |
| **12. Total liabilities** | **224,887,856** | **150,396,849** | **65,582,747** | **8,725,208** | **32,145** | **150,907** |
| **Net on-balance sheet position** | **18,929,870** | **12,824,035** | **5,335,402** | **953,114** | **(31,774)** | **(150,907)** |
| **Net long/(short) position on monetary items** | **18,908,063** | **12,802,228** | **5,335,402** | **953,114** | **(31,774)** | **(150,907)** |

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2010.

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

| **31 December 2010** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
|---|---|---|---|---|---|
| Foreign currency rate used in translation of balance sheet items | 1.5460 | 2.0491 | 2.3886 | 1.6438 | 0.0189 |

| **31 December 2009** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
|---|---|---|---|---|---|
| Foreign currency rate used in translation of balance sheet items | 1.5057 | 2.1603 | 2.3892 | 1.4492 | 0.0163 |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

*Exposure to foreign risk*

A 10 percent depreciation of the TRY 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 TRY against the following currencies, the effect will be in opposite direction.

| Exchange rate sensitivity analysis table – 31 December 2010 | | | | |
|---|---|---|---|---|
| | Profit/loss | | Equity | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **If US Dollar value changes by 10% against TRY:** | | | | |
| 1- Net US Dollar assets/liabilities | 3,374,998 | (3,374,998) | 3,562,432 | (3,562,432) |
| 2- Hedged portion from US Dollar risk (-) | - | - | - | - |
| **3- Net effect of US Dollar (1+2)** | **3,374,998** | **(3,374,998)** | **3,562,432** | **(3,562,432)** |
| **If EUR value changes by 10% against TRY:** | | | | |
| 4- Net Euro assets/liabilities | 1,931,172 | (1,931,172) | 1,961,206 | (1,961,206) |
| 5- Hedged portion from Euro risk (-) | - | - | - | - |
| **6- Net effect of Euro (4+5)** | **1,931,172** | **(1,931,172)** | **1,961,206** | **(1,961,206)** |
| **If GBP value changes by 10% against TRY:** | | | | |
| 7- Net GBP assets/liabilities | 527,261 | (527,261) | 537,189 | (537,189) |
| 8- Hedged portion from GBP risk (-) | - | - | - | - |
| **9- Net effect of GBP (7+8)** | **527,261** | **(527,261)** | **537,189** | **(537,189)** |
| **If CHF value changes by 10% against TRY:** | | | | |
| 10 - Net CHF assets/liabilities | (392) | 392 | (392) | 392 |
| 11 - Hedged portion from CHF risk (-) | - | - | - | - |
| **12 - Net effect of CHF (10+11)** | **(392)** | **392** | **(392)** | **392** |
| **If JPY value changes by 10% against TRY:** | | | | |
| 13 - Net JPY assets/liabilities | (11,801) | 11,801 | (11,801) | 11,801 |
| 14 - Hedged portion from JPY risk (-) | - | - | - | - |
| **15 - Net effect of JPY (13+14)** | **(11,801)** | **11,801** | **(11,801)** | **11,801** |
| **Total (3+6+9+12+15)** | **5,821,238** | **(5,821,238)** | **6,048,634** | **(6,048,634)** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| Exchange rate sensitivity analysis table – 31 December 2009 | | | | |
|---|---|---|---|---|
| | Gain/loss | | Equity | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **If USD value changes by 10% against TRY:** | | | | |
| 1- Net US Dollar assets/liabilities | 1,207,508 | (1,207,508) | 1,282,404 | (1,282,404) |
| 2- Hedged portion from US Dollar risk (-) | - | - | | |
| **3- Net effect of US Dollar (1+2)** | **1,207,508** | **(1,207,508)** | **1,282,404** | **(1,282,404)** |
| **If EUR value changes by 10% against TRY:** | | | | |
| 4- Net Euro assets/liabilities | 513,855 | (513,855) | 533,540 | (533,540) |
| 5- Hedged portion from Euro risk (-) | | | | |
| **6- Net effect of Euro (4+5)** | **513,855** | **(513,855)** | **533,540** | **(533,540)** |
| **If GBP value changes by 10% against TRY:** | | | | |
| 7- Net GBP assets/liabilities | 93,678 | (93,678) | 95,311 | (95,311) |
| 8- Hedged portion from GBP risk (-) | - | - | - | - |
| **9- Net effect of GBP (7+8)** | **93,678** | **(93,678)** | **95,311** | **(95,311)** |
| **If CHF value changes by 10% against TRY:** | | | | |
| 10- Net CHF assets/liabilities | (3,177) | 3,177 | (3,177) | 3,177 |
| 11- Hedged portion from CHF risk (-) | - | - | - | - |
| **12- Net effect of CHF (10+11)** | **(3,177)** | **3,177** | **(3,177)** | **3,177** |
| **If JPY value changes by 10% against TRY:** | | | | |
| 13- Net JPY assets/liabilities | (15,091) | 15,091 | (15,091) | 15,091 |
| 14- Hedged portion from JPY risk (-) | - | - | - | - |
| **15- Net effect of JPY (13+14)** | **(15,091)** | **15,091** | **(15,091)** | **15,091** |
| **Total (3+6+9+12+15)** | **1,796,773** | **(1,796,773)** | **1,892,987** | **(1,892,987)** |

*Interest risk*

*Exposure to interest risk*

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| ***Fixed rate financial instruments*** | | |
| Financial assets | 1,713,869,071 | 1,197,305,750 |
| *Financial assets at fair value through profit or loss* | *12,438,421* | *59,380,293* |
| *Available-for-sale financial assets* | *1,701,133,134* | *1,137,925,457* |
| *Loans and receivables* | *297,516* | - |
| Banks | 72,775,964 | 75,688,013 |
| Financial liabilities | - | 153 |
| ***Variable rate financial instruments*** | | |
| Financial assets | 595,206,603 | 1,011,773,254 |
| Financial liabilities | - | - |

# Anadolu Hayat Emeklilik A.Ş.

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

*Interest rate sensitivity of financial instruments*

As at 31 December 2010 and 2009, interest rate risk analysis of financial assets and financial liabilities are summarized in the table below:

| 31 December 2010 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| ***Assets:*** | | | | | | | |
| Cash and cash equivalents | 72,775,963 | - | - | - | - | 56,293,177 | 129,069,140 |
| Financial assets and investments with risks on policyholders | 498,540,852 | 286,473,882 | 64,461,853 | 393,805,811 | 1,066,392,935 | 143,287,656 | 2,452,962,989 |
| Receivables from main operations | 274,316 | 462,567 | 1,264,115 | - | - | 2,673,549,932 | 2,675,550,930 |
| Due from related parties | - | 92,711 | - | - | - | - | 92,711 |
| Other receivables | 5,693,029 | - | - | - | - | 630,266 | 6,323,295 |
| Prepaid expenses and income accruals, short term | 32,376 | 64,752 | 291,384 | - | - | 4,386,874 | 4,775,386 |
| Other current assets | - | - | - | - | - | 625,277 | 625,277 |
| Financial assets (Associates) | - | - | - | - | - | 5,762,193 | 5,762,193 |
| Tangible assets | - | - | - | - | - | 21,415,727 | 21,415,727 |
| Intangible assets | - | - | - | - | - | 2,383,010 | 2,383,010 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | 30,516 | 30,516 |
| Deferred tax assets | - | - | - | - | - | - | - |
| **Total assets** | **577,316,536** | **287,093,912** | **66,017,352** | **393,805,811** | **1,066,392,935** | **2,908,364,628** | **5,298,991,174** |
| ***Liabilities:*** | | | | | | | |
| Payables arising from main operations | 1,651,841 | 1,012,370 | 543,884 | - | - | 2,670,965,867 | 2,674,173,962 |
| Due to related parties | - | - | 2,674 | - | - | 1,411 | 4,085 |
| Other liabilities | 3,997,061 | - | - | - | - | 2,025,692 | 6,022,753 |
| Insurance technical provisions | - | - | - | - | - | 2,155,205,866 | 2,155,205,866 |
| Provisions for taxes and other similar obligations | 5,164,738 | - | - | - | - | 308,734 | 5,473,472 |
| Provisions for other risks | 415,000 | - | - | - | 3,566,916 | 735,708 | 4,717,624 |
| Deferred income and expense accruals | - | - | - | - | - | 1,332,794 | 1,332,794 |
| Other short term liabilities | - | - | - | - | - | 54 | 54 |
| Deferred tax liability | | | | | | 1,414,610 | 1,414,610 |
| Shareholders' equity | - | - | - | - | - | 450,645,954 | 450,645,954 |
| **Total liabilities** | **11,228,640** | **1,012,370** | **546,558** | **-** | **3,566,916** | **5,282,636,690** | **5,298,991,174** |
| | | | | | | | |
| **Net position** | **566,087,896** | **286,081,542** | **65,470,794** | **393,805,811** | **1,062,826,019** | **(2,374,272,062)** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| 31 December 2009 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| ***Assets:*** | | | | | | | |
| Cash and cash equivalents | 34,849,285 | 36,837,672 | 4,001,056 | - | - | 45,855,825 | 121,543,838 |
| Financial assets and investments with risks on policyholders | 267,730,217 | 753,340,542 | 555,933,495 | 444,531,898 | 187,969,196 | 106,871,094 | 2,316,376,442 |
| Receivables from main operations | - | - | - | - | - | 2,002,751,157 | 2,002,751,157 |
| Due from related parties | - | - | 712,900 | - | - | - | 712,900 |
| Other receivables | 4,203,419 | - | - | - | - | 587,012 | 4,790,431 |
| Prepaid expenses and income accruals, short term | 25,228 | 50,454 | 164,800 | - | - | 3,199,434 | 3,439,916 |
| Other current assets | - | - | - | - | - | 153,208 | 153,208 |
| Financial assets (Associates) | - | - | - | - | - | 5,762,193 | 5,762,193 |
| Tangible assets | - | - | - | - | - | 22,053,735 | 22,053,735 |
| Intangible assets | - | - | - | - | - | 1,970,323 | 1,970,323 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | 8,529 | 8,529 |
| Deferred tax assets | - | - | - | - | - | 900,361 | 900,361 |
| **Total assets** | **306,808,149** | **790,228,668** | **560,812,251** | **444,531,898** | **187,969,196** | **2,190,112,871** | **4,480,463,033** |
| ***Liabilities:*** | | | | | | | |
| Financial liabilities | 153 | - | - | - | - | (153) | - |
| Payables arising from main operations | 3,114,575 | - | 481,583 | - | - | 1,989,060,718 | 1,992,656,876 |
| Due to related parties | - | - | - | - | - | 2,143 | 2,143 |
| Other liabilities | 3,639,486 | - | - | - | - | 7,578,325 | 11,217,811 |
| Insurance technical provisions | - | - | - | - | - | 2,036,883,589 | 2,036,883,589 |
| Provisions for taxes and other similar obligations | 4,953,581 | - | - | - | - | (293,966) | 4,659,615 |
| Provisions for other risks | - | - | - | - | - | 3,387,351 | 3,387,351 |
| Deferred income and expense accruals | 642,049 | - | - | - | - | 1,121,543 | 1,763,592 |
| Other short term liabilities | - | - | - | - | - | 51 | 51 |
| Shareholders' equity | - | - | - | - | - | 429,892,005 | 429,892,005 |
| **Total liabilities** | **12,349,844** | **-** | **481,583** | **-** | **-** | **4,467,631,606** | **4,480,463,033** |
| | | | | | | | |
| **Net position** | **294,458,305** | **790,228,668** | **560,330,668** | **444,531,898** | **187,969,196** | **(2,277,518,735)** | **-** |

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. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2010 and 2009 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

| 31 December 2010 | 100 bp increase | 100 bp decrease | 500 bp increase | 500 bp decrease |
|---|---|---|---|---|
| Company's own portfolio | (2,460,827) | 2,559,809 | (11,414,736) | 13,909,059 |
| **Total, net** | **(2,460,827)** | **2,559,809** | **(11,414,736)** | **13,909,059** |

| 31 December 2009 | 100 bp increase | 100 bp decrease | 500 bp increase | 500 bp decrease |
|---|---|---|---|---|
| Company's own portfolio | (2,351,510) | 2,394,358 | (11,352,627) | 12,429,122 |
| **Total, net** | **(2,351,510)** | **2,394,358** | **(11,352,627)** | **12,429,122** |

# Anadolu Hayat Emeklilik A.Ş.

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

*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 balance sheet date, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying 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).

If classification is available for usage, it necessitates the utilization of observable market data.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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 | 65,860,731 | - | - | 65,860,731 |
| Available for sale financial assets (*) | 351,128,016 | - | - | 351,128,016 |
| Financial investments with risks on policyholders classified as available for sale | 2,016,552,956 | - | - | 2,016,552,956 |
| Receivables from individual pension business | 2,619,959,840 | - | - | 2,619,959,840 |
| **Total financial assets** | **5,053,501,543** | **-** | **-** | **5,053,501,543** |
| ***Financial liabilities:*** | | | | |
| Investment contract liabilities – life mathematical provision for saving life policies | 2,090,760,148 | - | - | 2,090,760,148 |
| Payables arising from individual pension business | 2,619,959,840 | - | - | 2,619,959,840 |
| **Total financial liabilities** | **4,710,719,988** | **-** | **-** | **4,710,719,988** |

(*) As at 31 December 2010, securities that are not publicly traded amounting to TRY 26,132,859 have been measured at cost and are excluded from the table.

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Financial assets held for trading | 83,543,063 | - | - | 83,543,063 |
| Available for sale financial assets (*) | 323,796,553 | - | - | 323,796,553 |
| Financial investments with risks on policyholders classified as available for sale | 1,893,715,695 | - | - | 1,893,715,695 |
| Receivables from individual pension business | 1,952,892,351 | - | - | 1,952,892,351 |
| **Total financial assets** | **4,253,947,662** | **-** | **-** | **4,253,947,662** |
| ***Financial liabilities:*** | | | | |
| Investment contract liabilities – life mathematical provision for saving life policies | 1,976,486,262 | - | - | 1,976,486,262 |
| Payables arising from individual pension business | 1,952,892,351 | - | - | 1,952,892,351 |
| **Total financial liabilities** | **3,929,378,613** | **-** | **-** | **3,929,378,613** |

(*) As at 31 December 2009, securities that are not publicly traded amounting to TRY 22,330,220 have been measured at cost and are excluded from the table.

*Equity share price risk*

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements
## As at 31 December 2010
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The effect of changes in fair values of the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2010 and 2009.

| | Change in index | 31 December 2010 | 31 December 2009 |
|---|---|---|---|
| IMKB-100 | 10% | 1,538,480 | 1,851,094 |

*Value at risk*

As at 31 December 2010, the Company's total value at risk is TRY 1,289,779 and basis of the calculation is presented in the below table:

| Value at risk | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **TRY transactions** | **1,041,673** | **857,391** |
| TRY marketable securities | 1,041,673 | 857,391 |
| **FC transactions** | **6,567** | **4,977** |
| Foreign currency position | 6,567 | 4,977 |
| **Equity shares** | **458,561** | **412,594** |
| Held for trading securities | 458,561 | 412,594 |
| **Effect of portfolio diversity** | **(217,022)** | **(206,376)** |
| **Total** | **1,289,779** | **1,068,586** |

### Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for 31 December 2010 is summarized below. As at 31 December 2010, the capital adequacy of the Company is TRY 109,456,121 and TRY 56,973,361; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at 31 December 2010. The Company's capital calculated based on the regulation as at 31 December 2010 TRY 450,645,954. Consequently, the Company's capital is adequate.

| Capital Adequacy Table | | |
|---|---|---|
| | **31 December 2010** | **31 December 2009** |
| **1. method** | | |
| Required capital for non-life branches | 178,239 | 28,753 |
| Required capital for life branch | 100,852,982 | 96,160,222 |
| Required capital for pension branch | 8,424,900 | 6,757,190 |
| **Required capital based on the first method** | **109,456,121** | **102,946,165** |
| | | |
| **2. method** | | |
| Required capital for asset risk | 37,007,944 | 26,273,660 |
| Required capital for reinsurance risk | 538,642 | 903,618 |
| Required capital for excessive premium increase | - | 14,656,757 |
| Required capital for outstanding claims risk | 1,378,594 | 1,348,604 |
| Required capital for underwriting risk | 17,514,360 | 24,745,102 |
| Required capital for interest rate and currency risk | 533,821 | 297,630 |
| **Required capital based on the second method** | **56,973,361** | **68,225,371** |
| | | |
| **Required capital** | **109,456,121** | **102,946,165** |
| **Current capital** | **450,645,954** | **429,892,005** |
| **Excessive capital** | **341,189,833** | **326,945,840** |

# Anadolu Hayat Emeklilik A.Ş.

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

### 5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular “Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts” issued by the Undersecretariat of Treasury on 4 January 2008.

| **31 December 2010** | **Life** | **Individual Pension** | **Personal Accident** | **Total** |
|---|---|---|---|---|
| ***Continuing operations:*** | | | | |
| Technical income | 551,195,278 | 95,156,430 | 171,844 | 646,523,552 |
| Technical expense | (537,249,963) | (82,036,396) | (397,551) | (619,683,910) |
| Total of other income and expense | 50,004,674 | 9,640,296 | 347,722 | 59,992,692 |
| **Income before tax** | **63,949,989** | **22,760,330** | **122,015** | **86,832,334** |
| Income tax expense | - | - | - | (15,435,000) |
| **Net profit for the year** | **63,949,989** | **22,760,330** | **122,015** | **71,397,334** |

| **31 December 2010** | **Life** | **Individual Pension** | **Personal Accident** | **Total** |
|---|---|---|---|---|
| Segment assets | 2,558,881,548 | 2,722,324,906 | 17,784,720 | 5,298,991,174 |
| **Total assets** | **2,558,881,548** | **2,722,324,906** | **17,784,720** | **5,298,991,174** |
| Segment liabilities | (2,533,359,814) | (2,748,025,256) | (17,606,104) | (5,298,991,174) |
| **Total liabilities** | **(2,533,359,814)** | **(2,748,025,256)** | **(17,606,104)** | **(5,298,991,174)** |
| **Other segment information** | | | | |
| Depreciation and amortization | (2,290,552) | (441,950) | (15,998) | **(2,748,500)** |

| **31 December 2009** | **Life** | **Individual Pension** | **Personal Accident** | **Total** |
|---|---|---|---|---|
| ***Continuing operations:*** | | | | |
| Technical income | 724,687,409 | 79,408,451 | 275,792 | 804,371,652 |
| Technical expense | (717,437,227) | (67,894,890) | (219,678) | (785,551,795) |
| Total of other income and expense | 64,348,973 | 14,338,334 | 486,264 | 79,173,571 |
| **Income before tax** | **71,599,155** | **25,851,895** | **542,378** | **97,993,428** |
| Income tax expense | - | - | - | **(18,709,000)** |
| **Net profit for the year** | **71,599,155** | **25,851,895** | **542,378** | **79,284,428** |

| **31 December 2009** | **Life** | **Individual Pension** | **Personal Accident** | **Total** |
|---|---|---|---|---|
| Segment assets | 2,400,646,525 | 2,061,996,069 | 17,820,439 | 4,480,463,033 |
| **Total assets** | **2,400,646,525** | **2,061,996,069** | **17,820,439** | **4,480,463,033** |
| Segment liabilities | (2,384,913,664) | (2,077,847,822) | (17,701,547) | (4,480,463,033) |
| **Total liabilities** | **(2,384,913,664)** | **(2,077,847,822)** | **(17,701,547)** | **(4,480,463,033)** |
| **Other segment information** | | | | |
| Depreciation and amortization | (1,991,826) | (443,822) | (15,052) | **(2,450,700)** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 6 Tangible assets

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

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Land (*) | 1,832,831 | - | - | 1,832,831 |
| Buildings (*) | 25,379,158 | - | - | 25,379,158 |
| Machinery and equipment | 3,415,282 | 539,980 | (86,407) | 3,868,855 |
| Vehicles | 781,765 | 79,574 | (63,360) | 797,979 |
| Furniture and fixtures (includes leased assets) | 3,435,817 | 227,612 | (69,648) | 3,593,781 |
| Leasehold improvements | 1,638,657 | 386,535 | (1,328) | 2,023,864 |
| | **36,483,510** | **1,233,701** | **(220,743)** | **37,496,468** |
| ***Accumulated depreciation:*** | | | | |
| Buildings | (8,904,808) | (508,688) | - | (9,413,496) |
| Machinery and equipment | (2,056,737) | (480,439) | 84,433 | (2,452,743) |
| Vehicles | (350,389) | (118,497) | 38,017 | (430,869) |
| Furniture and fixtures (includes leased assets) | (2,148,152) | (442,273) | 51,530 | (2,538,895) |
| Leasehold improvements | (969,689) | (276,375) | 1,326 | (1,244,738) |
| | **(14,429,775)** | **(1,826,272)** | **175,306** | **(16,080,741)** |
| **Carrying amounts** | **22,053,735** | | | **21,415,727** |

(*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 15,239,431 are investment properties and given in Note 7 in detail. Total impairment losses on own use land amounted to TRY 417,070.

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

| | 1 January 2009 | Additions | Disposals | Impairment | 31 December 2010 |
|---|---|---|---|---|---|
| ***Cost:*** | | | | | |
| Land (*) | 2,249,901 | - | - | (417,070) | 1,832,831 |
| Buildings (*) | 25,372,286 | 6,872 | - | - | 25,379,158 |
| Machinery and equipment | 3,091,023 | 501,097 | (176,838) | - | 3,415,282 |
| Vehicles | 579,920 | 239,367 | (37,522) | - | 781,765 |
| Furniture and fixtures (includes leased assets) | 2,999,013 | 493,008 | (56,204) | - | 3,435,817 |
| Leasehold improvements | 1,459,103 | 179,554 | - | - | 1,638,657 |
| | **35,751,246** | **1,419,898** | **(270,564)** | **(417,070)** | **36,483,510** |
| ***Accumulated depreciation:*** | | | | | |
| Buildings | (8,396,134) | (508,674) | - | - | (8,904,808) |
| Machinery and equipment | (1,842,723) | (387,420) | 173,406 | - | (2,056,737) |
| Vehicles | (264,174) | (107,204) | 20,989 | - | (350,389) |
| Furniture and fixtures (includes leased assets) | (1,732,967) | (456,097) | 40,912 | - | (2,148,152) |
| Leasehold improvements | (739,976) | (229,713) | - | - | (969,689) |
| | **(12,975,974)** | **(1,689,108)** | **235,307** | **-** | **(14,429,775)** |
| **Carrying amounts** | **22,775,272** | | | | **22,053,735** |

(*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 15,728,656 are investment properties and given in Note 7 in detail. Total impairment losses on own use land amounted TRY 417,070.

There are no pledges on tangible assets.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 7 Investment properties

Movement in investment properties in the period from 1 January to 31 December 2010 is presented below:

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Land | 1,411,831 | - | - | 1,411,831 |
| Buildings | 24,461,256 | - | - | 24,461,256 |
| | **25,873,087** | **-** | **-** | **25,873,087** |
| ***Accumulated depreciation:*** | | | | |
| Buildings | (8,732,600) | (489,225) | - | (9,221,825) |
| | **(8,732,600)** | **(489,225)** | **-** | **(9,221,825)** |
| **Carrying amounts** | **17,140,487** | | | **16,651,262** |

For the year ended 31 December 2010, the Company has rental income from investment properties amounting TRY 2,335,332.

Movement in investment properties in the period from 1 January to 31 December 2009 is presented below:

| | 1 January 2009 | Additions | Disposals | 31 December 2009 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Land | 1,411,831 | - | - | 1,411,831 |
| Buildings | 24,461,256 | - | - | 24,461,256 |
| | **25,873,087** | **-** | **-** | **25,873,087** |
| ***Accumulated depreciation:*** | | | | |
| Buildings | (8,243,375) | (489,225) | - | (8,732,600) |
| | **(8,243,375)** | **(489,225)** | **-** | **(8,732,600)** |
| **Carrying amounts** | **17,629,712** | | | **17,140,487** |

For the year ended 31 December 2009, the Company has rental income from investment properties amounting TRY 2,308,162.

As at 31 December 2010, total fair value of the Company's investment properties amounting to TRY 53,523,000 (31 December 2009: TRY 53,523,000). Expert reports on these properties have been prepared by the authorized real estate valuation companies at January and February of 2010. There are no pledges on these properties.

### 8 Intangible assets

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

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Rights | 5,019,866 | 1,334,915 | - | 6,354,781 |
| | **5,019,866** | **1,334,915** | **-** | **6,354,781** |
| ***Accumulated amortization:*** | | | | |
| Rights | (3,049,543) | (922,228) | - | (3,971,771) |
| | **(3,049,543)** | **(922,228)** | **-** | **(3,971,771)** |
| **Carrying amounts** | **1,970,323** | | | **2,383,010** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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

| | 1 January 2009 | Additions | Disposals | 31 December 2009 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Rights | 3,912,241 | 1,107,625 | - | 5,019,866 |
| | **3,912,241** | **1,107,625** | **-** | **5,019,866** |
| ***Accumulated amortization:*** | | | | |
| Rights | (2,287,951) | (761,592) | - | (3,049,543) |
| | **(2,287,951)** | **(761,592)** | **-** | **(3,049,543)** |
| **Carrying amounts** | **1,624,290** | | | **1,970,323** |

### 9 Investments in associates

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Carrying value | Participation rate % | Carrying value | Participation rate % |
| İş Portföy Yönetimi A.Ş. | 5,762,193 | 20.0% | 5,762,193 | 20.0% |
| **Investments in associates, net** | **5,762,193** | | **5,762,193** | |

| Associate | Total assets | Shareholders' equity | Retained earnings | Profit for the year | Audited | Period |
|---|---|---|---|---|---|---|
| İş Portföy Yönetimi A.Ş. | 66,163,945 | 54,510,796 | 10,311,676 | 10,968,068 | Yes | 31 December 2010 |

The Company has obtained bonus shares through capital increases in associates from profit or capital reserves amounting to TRY 809,335.

### 10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

| Reinsurance assets | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Reserve for unearned premiums, ceded *(Note 17.15)* | 1,290,764 | 1,209,792 |
| Provision for outstanding claims, ceded *(Note 17.15)* | 589,625 | 640,700 |
| Life mathematical reserve, ceded *(Note 17.15)* | 3,294,984 | 1,299,654 |
| **Total** | **5,175,373** | **3,150,146** |

There is not any impairment losses recognized for reinsurance assets.

| Reinsurance liabilities | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Current account of insurance companies | 1,012,370 | 68,235 |
| Cash deposited by insurance and reinsurance companies *(Note 19)* | 543,884 | 413,348 |
| **Total** | **1,556,254** | **481,583** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| ***Life branch:*** | | |
| Premiums ceded during the year | (7,229,203) | (5,031,950) |
| Change in unearned premiums reserve, ceded | 93,438 | 220,636 |
| Commissions received from reinsurers (*) | 1,058,214 | 1,063,591 |
| Reinsurers share of claims paid | 893,392 | 610,197 |
| Change in outstanding claims, ceded | 57,601 | 239,115 |
| Change in life mathematical reserve, ceded | 2,054,433 | 1,220,661 |
| | **(3,072,125)** | **(1,677,750)** |
| ***Non-life branch:*** | | |
| Premiums ceded during the year | (93,921) | (113,854) |
| Change in unearned premiums reserve, ceded | (12,466) | 16,643 |
| Commissions received from reinsurers (*) | 15,279 | 15,583 |
| Reinsurers share of claims paid | 3,957,078 | 40,415 |
| Change in outstanding claims, ceded | (105,289) | 105,289 |
| | **3,760,681** | **64,076** |
| **Total, net** | **688,556** | **(1,613,674)** |

(*) Deferred commissions are excluded from commissions received from reinsurers.

### 11 Financial assets

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

| Financial assets and financial investments with risk on policyholders | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Available for sale financial assets, Company's own portfolio | 377,260,875 | 346,126,773 |
| Financial assets held for trading purpose | 65,860,731 | 83,543,063 |
| Loans and receivables | 297,516 | - |
| Financial investments with risks on saving life policyholders classified as available for sale | 2,016,552,956 | 1,893,715,695 |
| Impairment loss on financial assets | (7,009,089) | (7,009,089) |
| **Total** | **2,452,962,989** | **2,316,376,442** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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:* | | | | |
| Private sector bonds | 5,608,199 | 5,626,248 | 5,795,702 | 5,795,702 |
| Government bonds and treasury bills | 15,200,000 | 14,027,883 | 14,605,283 | 14,605,283 |
| **Total financial assets held for trading purpose – debt instruments** | **20,808,199** | **19,654,131** | **20,400,985** | **20,400,985** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares | | 10,265,637 | 12,420,036 | 12,420,036 |
| Investment funds and Turkish derivatives exchange contracts | | 26,649,250 | 33,039,710 | 33,039,710 |
| **Total financial assets held for trading purpose – other** | | **36,914,887** | **45,459,746** | **45,459,746** |
| **Total financial assets held for trading purpose** | | **56,569,018** | **65,860,731** | **65,860,731** |

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| *Debt instruments:* | | | | |
| Government bonds and treasury bills | 57,730,824 | 52,170,568 | 55,346,769 | 55,346,769 |
| **Total financial assets held for trading purpose – debt instruments** | **57,730,824** | **52,170,568** | **55,346,769** | **55,346,769** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares | | 11,970,909 | 15,161,094 | 15,161,094 |
| Investment funds, Turkish derivatives exchange contracts | | 5,031,283 | 6,249,737 | 6,249,737 |
| Other | | 6,784,456 | 6,785,463 | 6,785,463 |
| **Total financial assets held for trading purpose – other** | | **23,786,648** | **28,196,294** | **28,196,294** |
| **Total financial assets held for trading purpose** | | **75,957,216** | **83,543,063** | **83,543,063** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

As at 31 December 2010, the Company's loans and receivables are detailed as follows (31 December 2009: none):

| | 31 December 2010 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| Reverse repo | 297,464 | 297,516 | 297,516 |
| **Total loans and receivables** | **297,464** | **297,516** | **297,516** |

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | **Face value** | **Cost** | **Fair value** | **Carrying value** |
| *Debt instruments:* | | | | |
| Government bonds | 262,699,842 | 250,937,359 | 271,824,217 | 271,824,217 |
| **Total available for sale financial assets – debt instruments** | **262,699,842** | **250,937,359** | **271,824,217** | **271,824,217** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares (*) | | 77,738,578 | 105,436,658 | 105,436,658 |
| **Total available for sale financial assets – other** | | **77,738,578** | **105,436,658** | **105,436,658** |
| **Total available for sale financial assets** | | **328,675,937** | **377,260,875** | **377,260,875** |
| **Impairment loss on available for sale equity shares** | | **(7,009,089)** | **(7,009,089)** | **(7,009,089)** |
| **Net available for sale financial assets** | | **321,666,848** | **370,251,786** | **370,251,786** |

(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| *Debt instruments:* | | | | |
| Government bonds | 270,101,582 | 212,712,283 | 253,231,077 | 253,231,077 |
| **Total available for sale financial assets – debt instruments** | **270,101,582** | **212,712,283** | **253,231,077** | **253,231,077** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares (*) | | 53,340,087 | 92,895,696 | 92,895,696 |
| **Total available for sale financial assets – other** | | **53,340,087** | **92,895,696** | **92,895,696** |
| **Total available for sale financial assets** | | **266,052,370** | **346,126,773** | **346,126,773** |
| **Impairment loss on available for sale equity shares** | | **(7,009,089)** | **(7,009,089)** | **(7,009,089)** |
| **Net available for sale financial assets** | | **259,043,281** | **339,117,684** | **339,117,684** |

(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2010 and 2009 are detailed as follows:

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| *Debt Instruments:* | | | | |
| Government bonds - TRY | 1,572,884,563 | 1,577,561,392 | 1,722,452,242 | 1,722,452,242 |
| Eurobonds issued by Turkish Government | 142,071,000 | 219,268,197 | 294,100,714 | 294,100,714 |
| **Total available for sale financial assets – debt instruments** | **1,714,955,563** | **1,796,829,589** | **2,016,552,956** | **2,016,552,956** |
| **Financial investments with risks on saving life policyholders** | | **1,796,829,589** | **2,016,552,956** | **2,016,552,956** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| *Debt Instruments:* | | | | |
| Government bonds - TRY | 1,604,923,023 | 1,501,717,381 | 1,651,220,690 | 1,651,220,690 |
| Eurobonds issued by The Turkish Government | 128,164,000 | 194,853,118 | 242,495,005 | 242,495,005 |
| **Total available for sale financial assets – debt instruments** | **1,733,087,023** | **1,696,570,499** | **1,893,715,695** | **1,893,715,695** |
| **Financial investments with risks on saving life policyholders** | | **1,696,570,499** | **1,893,715,695** | **1,893,715,695** |

According to the early disposal call of Undersecretariat of Treasury at 5 June 2009, in order to increase the income of the insurees, the Company exchanged the government bonds TRY 33,295,804 with a nominal value and matured on 17 February 2010, kept in Financial Assets and Investments with Risks on Policy account with the government bonds will be matured on 2 April 2014. During this change, it is taken into consideration that according to TAS 39, the Company cannot classify any financial assets into held-to-maturity investments for two years.

The Company has no securities, other than issued shares in the current year, or any matured debt securities.

The Company does not have any financial assets issued by the Company's shareholders, subsidiaries, affiliates or associates.

Value increases in financial assets for the last three years:

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---|---|---|---|
| ***Current financial assets:*** | | | |
| Available for sale financial assets, Company's own portfolio | 48,584,938 | 73,065,314 | 3,486,316 |
| Financial assets held for trading purpose | 9,291,713 | 7,585,847 | 2,571,050 |
| Loans and receivables | 52 | - | - |
| Financial investments with risks on saving life policyholders classified as available for sale | 219,723,367 | 197,145,196 | 174,525,248 |
| **Total** | **277,600,070** | **277,796,357** | **180,582,614** |

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

The Company has TRY 7,009,089 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market.

The Company does not apply hedge accounting.

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current year or at initial recognition are recognized in profit or loss.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| Financial investments with risks on saving life policyholders – debt securities | 1,714,955,563 | 1,796,829,589 | 2,016,552,956 | 2,016,552,956 |
| Available for sale financial assets | 144,925,648 | 144,827,385 | 155,655,623 | 155,655,623 |
| **Total** | | **1,941,656,974** | **2,172,208,579** | **2,172,208,579** |

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| Financial investments with risks on saving life policyholders – debt securities | 1,773,087,023 | 1,696,570,499 | 1,893,715,695 | 1,893,715,695 |
| Available for sale financial assets | 148,553,425 | 117,964,002 | 138,610,340 | 138,610,340 |
| **Total** | | **1,814,534,501** | **2,032,326,035** | **2,032,326,035** |

### 12. Loans and receivables

The details of the Company's receivables are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Receivables from insurance operations | 7,471,182 | 7,718,769 |
| Provisions for receivables from insurance operations | (2,574) | (268,943) |
| Loans to the policyholders | 48,122,482 | 42,408,980 |
| Doubtful receivables from main operations and insurance operations | 117,996 | 131,846 |
| Provisions for doubtful receivables from main operations and insurance operations | (117,996) | (131,846) |
| Receivables from pension activities | 2,619,959,840 | 1,952,892,351 |
| **Total receivables from main operations** | **2,675,550,930** | **2,002,751,157** |
| Receivables from personnel | 92,711 | 712,900 |
| Other receivables | 6,323,295 | 4,790,431 |
| **Total** | **2,681,966,936** | **2,008,254,488** |

The details of guarantees for the Company's receivables are presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Real estate pledges | 1,116,900 | 56,900 |
| Letters of guarantees | 838,728 | 907,456 |
| Guarantees and commitments | 960,017 | 612,291 |
| **Total** | **2,915,645** | **1,576,647** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Provisions for doubtful receivables from main operations and insurance operations at the beginning of the year | 131,846 | 104,297 |
| Collections | (13,850) | (8,000) |
| Charge for the year | - | 35,549 |
| **Provisions for doubtful receivables from main operations and insurance operations at the end of the year** | **117,996** | **131,846** |

**Provision for both overdue receivables and receivables not due yet**

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2009: TRY 131,846).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2009: TRY 268,943).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

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

Details of the Company's foreign currency denominated receivables and payables without exchange rate guarantees are presented below.

| Foreign exchange rates used in valuation of balance sheet items | 31 December 2010 | 31 December 2009 |
|---|---|---|
| USD Dollar - *buy* | 1.5460 | 1.5057 |
| USD Dollar – *sale* | 1.5535 | 1.5130 |
| Euro – *buy* | 2.0491 | 2.1603 |
| Euro – *sale* | 2.0590 | 2.1707 |
| British Pound | 2.3886 | 2.3892 |
| Japanese Yen | 0.0189 | 0.0163 |
| Swiss Frank | 1.6438 | 1.4492 |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

| 31 December 2010 | USD Dollar | Euro | British Pound | Japanese Yen | Swiss Frank | Total (TRY) |
|---|---|---|---|---|---|---|
| Receivables from policyholders | 437,575 | 137,966 | 3,982 | 1,251 | - | 580,774 |
| Reinsurer receivables | - | 26,968 | - | - | - | 26,968 |
| Rent receivables | 3,757 | - | - | - | - | 3,757 |
| Deposits given | 22,613 | - | - | - | - | 22,613 |
| **Total foreign currency assets** | **463,945** | **164,934** | **3,982** | **1,251** | - | **634,112** |
| Reinsurer payables (*) | 15,938 | - | - | 1,789 | 10 | 17,737 |
| Agency guarantees (**) | 132,482 | 13,499 | - | - | - | 145,981 |
| **Total foreign currency liabilities** | **148,420** | **13,499** | **-** | **1,789** | **10** | **163,718** |

| 31 December 2009 | USD Dollar | Euro | British Pound | Japanese Yen | Swiss Frank | Total (TRY) |
|---|---|---|---|---|---|---|
| Receivables from policyholders | 522,624 | 149,912 | 5,268 | - | - | 677,804 |
| Reinsurer receivables | - | 69,056 | - | - | - | 69,056 |
| Rent receivables | 4,600 | - | - | - | - | 4,600 |
| Deposits given | 21,807 | - | - | - | - | 21,807 |
| **Total foreign currency assets** | **549,031** | **218,968** | **5,268** | **-** | **-** | **773,267** |
| Financial leasing (**) | 153 | - | - | - | - | 153 |
| Reinsurer payables (*) | 61,282 | - | 1,051 | 595 | 93 | 63,021 |
| Agency guarantees (**) | 131,757 | 14,231 | - | - | - | 145,988 |
| **Total foreign currency liabilities** | **193,192** | **14,231** | **1,051** | **595** | **93** | **209,162** |

(*) Technical reserves are carried at the exchange buying rates of the Central Bank of Turkish Republic since the Company pays its foreign currency liabilities at exchange buying rates in accordance with the Insurance Law and directions approved by the Turkish Treasury.

(**) Valued at the exchange sales rates of the Central Bank of Turkish Republic.

### 13 Derivative financial instruments

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 balance sheet date, derivative financial instruments of the Company consist of TurkDEX-ISE 30 Index future contracts with the maturity of February 2011.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Unconsolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TRY))

## 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 | 17,198 | 9,012 | 9,012 | 14,634 |
| Bank deposits | 76,694,447 | 78,744,899 | 78,744,899 | 41,720,390 |
| Other cash and cash equivalents (*) | 52,404,769 | 42,834,036 | 42,834,036 | 33,557,407 |
| Cheques given and payment orders | (47,274) | (44,109) | (44,109) | (43,473) |
| **Cash and cash equivalents in the balance sheet** | **129,069,140** | **121,543,838** | **121,543,838** | **75,248,958** |
| Interest accruals on bank deposits | (517,604) | (356,654) | (356,654) | (301,434) |
| Time deposits with maturities longer than 3 months | - | (4,001,056) | (4,001,056) | - |
| **Cash and cash equivalents presented in the statement of cash flow** | **128,551,536** | **117,186,128** | **117,186,128** | **74,947,524** |

(*) Other cash and cash equivalents include credit card receivables from banks in relation to premium payments of policyholders.

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 | 1,544,600 | - |
| - demand deposits | 722,722 | 549,456 |
| Bank deposits in Turkish Lira | | |
| - time deposits | 71,231,364 | 75,688,013 |
| - demand deposits | 3,195,761 | 2,507,430 |
| **Cash at banks** | **76,694,447** | **78,744,899** |

As at 31 December 2010, TRY time deposits have a maximum maturity of 1 month and their simple interest rates vary between 8.80% and 9.32% and USD time deposits have a maturity of 7 days with 1.50% simple interest rate.

As at 31 December 2009, TRY time deposits have a maximum maturity of 4 months and their simple interest rates vary between 7.61% and 10.40%. The Company does not hold any foreign currency denominated time deposits.

As at 31 December 2010 and 2009, the details of the foreign currency cash and cash equivalents are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| USD Dollar | 1,588,941 | 187,719 |
| Swiss Frank | 22,722 | 371 |
| Euro | 407,746 | 353,563 |
| British Pound | 247,913 | 7,803 |
| **Total foreign currency bank deposits** | **2,267,322** | **549,456** |

## 15 Equity

### Paid in Capital

As at 31 December 2010, the authorized nominal share capital of the Company is TRY 250,000,000 and the share capital of the Company consists of 25,000,000,000 issued shares with TRY 0.01 nominal value each.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

The Company's share capital is divided into group A and group B shares. Group A share is represented by 100,000,000 of equity shares having a nominal amount of TRY 0.01 each. Group B share is represented by 24,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası A.Ş. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of 31 December 2010, the Company's registered capital is TRY 300,000,000.

As at 31 December 2010, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi A.Ş.

There are not any treasury shares held by the Company itself.

### 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 movement of legal reserves is as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Legal reserves at the beginning of the year** | **45,102,324** | **39,338,458** |
| Transfer from profit | 8,054,067 | 5,763,866 |
| **Legal reserves at the end of the year** | **53,156,391** | **45,102,324** |

### Extraordinary reserves

The movement of extraordinary reserves is presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Extraordinary reserves at the beginning of the year** | **4,821,283** | **4,777,123** |
| Transfer from profit | 8,546,693 | 44,160 |
| **Extraordinary reserves at the end of the year** | **13,367,976** | **4,821,283** |

### Statutory reserves

The movement of statutory reserves is presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Statutory reserves at the beginning of the year** | **17,783,838** | **13,890,692** |
| Transfer from profit | 5,868,628 | 3,893,146 |
| **Statutory reserves at the end of the year** | **23,652,466** | **17,783,838** |

# Anadolu Hayat Emeklilik A.Ş.

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

### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Fair value reserves at the beginning of the year** | **27,721,772** | **(16,149,997)** |
| ***Changes during the year:*** | | |
| The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets with risks on saving life policyholders | 9,728 | (63,186) |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders | 78,202,843 | 70,160,212 |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion | (74,292,701) | (66,652,201) |
| Change in unrealized gains and losses from available for sale financial assets, company's own portfolio | 12,082,109 | 46,918,322 |
| Deferred and corporate tax effect | (1,811,858) | (2,316,382) |
| ***Disposals during the year:*** | | |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders | (35,509,360) | (1,919,218) |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion | 33,733,892 | 1,823,257 |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio | (7,096,851) | (3,904,539) |
| Deferred and corporate tax effect | 1,774,464 | 800,100 |
| *Amounts transferred to income statement due to bonus shares:* | (920,611) | (974,596) |
| **Fair value reserves at the end of the year** | **33,893,427** | **27,721,772** |

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

Income and expense items that are directly accrued in equity as of the balance sheet date are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Temporary differences arising from revaluation of financial assets | 16,399,833 | 14,555,052 |
| Permanent differences arising from revaluation of financial assets | 20,773,561 | 16,077,730 |
| Deferred tax effect | (3,279,967) | (2,911,010) |
| **Total** | **33,893,427** | **27,721,772** |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 17 Insurance contract liabilities and reinsurance assets

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | **Should be placed (**)** | **Placed (*)** | **Should be placed (**)** | **Placed (*)** |
| *Life:* | | | | |
| Financial assets (*) | 1,865,970,949 | 2,129,944,090 | 1,736,805,264 | 1,950,224,381 |
| **Total** | **1,865,970,949** | **2,129,944,090** | **1,736,805,264** | **1,950,224,381** |
| *Non-life:* | | | | |
| Financial assets (*) | 4,389,328 | 1,376,203 | 371,507 | 873,881 |
| **Total** | **4,389,328** | **1,376,203** | **371,507** | **873,881** |
| **Total** | **1,870,360,277** | **2,131,320,293** | **1,737,176,771** | **1,951,098,262** |

(*) As at 31 December 2010 and 2009, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

(**) According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. As at 31 December 2010 (31 December 2009), minimum guarantee amount of 30 June 2010 (30 June 2009) is shown as necessary guarantee amount of December; since the capital adequacy table of the Company has not prepared as at 31 December 2009.

As at 31 December 2010, TRY 1,882,698,450 of government bonds (31 December 2009: TRY 1,727,846,173) and TRY 248,621,450 of Eurobonds (31 December 2009: TRY 223,252,089) are placed as guarantee for the life and non-life branches.

#### 17.2 Number of life insurance policies, additions, disposals in the current year, and current life policy holders and the related mathematical reserves

| | 31 December 2010 (*) | | 31 December 2009 (*) | |
|---|---|---|---|---|
| | **Number of policies** | **Mathematical reserves** | **Number of policies** | **Mathematical reserves** |
| Additions during the year | 968,657 | 530,506,521 | 762,785 | 578,239,315 |
| Disposals during the year | (902,534) | (394,582,482) | (554,038) | (326,319,701) |
| **Outstanding** | **1,086,305** | **1,977,259,183** | **1,020,182** | **1,883,744,124** |

(*) The above table includes 1,234 of reactivated life insurance policies (31 December 2009: 1,178) and their corresponding mathematical reserves.

As explained in Note 2.8 - *Financial Assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortized cost difference amounting to TRY 112,598,382 (31 December 2009: TRY 71,854,732) is recognized under the life mathematical provisions. TRY 4,197,567 (31 December 2009: TRY 22,187,060) of future withholding tax levied to income obtained from financial investments which are classified under the Company's assets is also recognized under the life mathematical provisions. These balances are not included in the above table.

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TRY 3,294,984 (31 December 2010: TRY 1,299,654) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

### 17.3 Guarantees given to non-life insurances based on branches:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Guarantees given to death by accident | 798,234,913 | 828,198,375 |
| Guarantees given to disability by accident | 798,134,913 | 827,998,375 |
| **Total** | **1,596,369,826** | **1,656,196,750** |

### 17.4 Pension investment funds established by the Company and their unit prices:

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

| | 31 December 2010 Unit price | 31 December 2009 Unit price |
|---|---|---|
| AH1 Bond Fund | 0.036770 | 0.033891 |
| AH2 Liquid Fund | 0.025547 | 0.024276 |
| AH3 Eurobond Dollar Fund | 0.019936 | 0.018000 |
| AH4 Eurobond Euro Fund | 0.018774 | 0.018981 |
| AH5 Equity Fund | 0.067288 | 0.052774 |
| AH6 International Mixed Fund | 0.017282 | 0.016507 |
| AH8 Conservative Fund | 0.029709 | 0.028222 |
| AH9 Balanced Fund | 0.041024 | 0.035901 |
| AH0 Aggressive Fund | 0.063049 | 0.053482 |
| AGE Alternative Gain Fund | 0.010218 | - |
| ABE BRIC Plus Fund | 0.011216 | - |
| AG1 Group Bond Fund | 0.032347 | 0.029307 |
| AG2 Group Eurobond Fund | 0.015145 | 0.014369 |
| AG3 Group Equity Fund | 0.041046 | 0.031628 |
| AG4 Group Conservative Fund | 0.027440 | 0.025663 |
| HS1 Bond - Bill Fund | 0.022963 | 0.021205 |
| AHB White Equity Fund | 0.022594 | 0.017716 |
| ATK Orange Bond - Bill Fund | 0.017408 | 0.016094 |
| ATE Orange Balanced Fund | 0.017862 | 0.015529 |

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

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### 17.5 Number and amount of participation certificates in portfolio and circulation:

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

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Participation Certificates in Circulation | | Participation Certificates in Circulation | |
| | Number | Amount | Number | Amount |
| AH1 Bond Fund | 27,679,333,589.65 | 1,017,769,096.09 | 24,944,018,327.73 | 845,377,725.145 |
| AH2 Liquid Fund | 2,579,462,040.52 | 65,897,516.75 | 2,593,937,106.94 | 62,970,417.208 |
| AH3 Eurobond Dollar Fund | 2,733,222,113.08 | 54,489,516.04 | 2,311,064,666.16 | 41,599,163.991 |
| AH4 Eurobond Euro Fund | 2,549,902,606.69 | 47,871,871.54 | 2,191,892,838.63 | 41,604,317.970 |
| AH5 Equity Fund | 1,775,358,800.49 | 119,460,342.97 | 1,373,943,983.65 | 72,508,519.794 |
| AH6 International Mixed Fund | 332,624,247.10 | 5,748,412.24 | 311,616,554.47 | 5,143,854.465 |
| AH8 Conservative Fund | 2,305,239,236.06 | 68,486,352.46 | 2,110,589,422.08 | 59,565,054.670 |
| AH9 Balanced Fund | 14,728,475,608.56 | 604,220,983.37 | 11,639,009,815.75 | 417,852,091.395 |
| AH0 Aggressive Fund | 4,694,946,079.01 | 296,011,655.33 | 2,978,326,553.92 | 159,286,860.757 |
| AGE Alternative Gain Fund | 40,036,050.76 | 409,088.37 | - | - |
| ABE BRIC Plus Fund | 213,456,947.81 | 2,394,133.12 | - | - |
| AG1 Group Bond Fund | 1,814,736,792.47 | 58,701,291.03 | 1,448,634,767.56 | 42,455,139.133 |
| AG2 Group Eurobond Fund | 185,168,965.97 | 2,804,383.99 | 156,528,192.84 | 2,249,153.603 |
| AG3 Group Equity Fund | 293,424,718.17 | 12,043,910.98 | 202,997,970.95 | 6,420,419.825 |
| AG4 Group Conservative Fund | 1,480,179,773.42 | 40,616,132.98 | 1,320,880,186.46 | 33,897,748.225 |
| HS1 Bond - Bill Fund | 7,663,308,793.44 | 175,972,559.82 | 6,131,834,151.27 | 130,025,543.178 |
| AHB White Equity Fund | 705,396,557.95 | 15,937,729.83 | 393,978,551.66 | 6,979,724.021 |
| ATK Orange Bond - Bill Fund | 1,107,668,639.86 | 19,282,295.68 | 989,195,864.05 | 15,920,118.236 |
| ATE Orange Balanced Fund | 663,003,411.70 | 11,842,566.94 | 581,911,192,86 | 9,036,498.914 |
| **Total** | | **2,619,959,839.53** | | **1,952,892,350.530** |

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Additions during the year | Left/cancellations during the year | Outstanding | Total amount |
| Individuals | 105,827 | 53,244 | 432,697 | 2,085,111,887 |
| Group | 39,269 | 12,357 | 123,036 | 529,424,802 |
| **Total** | **145,096** | **65,601** | **555,733** | **2,614,536,689** |

| | 31 December 2009 | | | |
|---|---|---|---|---|
| | Additions during the year | Left/cancellations during the year | Outstanding | Total amount |
| Individuals | 95,666 | 46,102 | 382,024 | 1,575,021,438 |
| Group | 31,892 | 10,925 | 94,214 | 368,740,033 |
| **Total** | **127,558** | **57,027** | **476,238** | **1,943,761,471** |

***Additions:*** The sum of the new contracts added in the year and their registered cumulative values as of the year end in addition with the number of the contracts that begin and finish in the same year. For the data calculated for 31 December 2010, portfolio amount and insurance contract numbers related with contribution amounts collected before the exercise date are not taken into consideration. In addition, the amounts related with credit card collections with undue blockage terms are not added to the calculation.

***Left/cancellations:*** The number of finalized contracts during the year and their values at their expiration dates.

***Outstanding:*** The number of outstanding contracts and their values as of the year end.

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Since retirement plan transfers between individual and group retirement plans occurs during the year, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior balance sheet date become a liability because of collection reversals in the current year or when the contracts effective at the prior balance sheet date become an asset, total numbers and portfolio values of these contracts are net off at the year end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the year-end.

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

Financial investments with risks on saving life policyholders are classified as “available-for-sale financial assets”. These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

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

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions | Number of contracts | Gross contributions | Net contributions |
| Individuals | 105,827 | 145,825,993 | 142,101,892 | 95,666 | 111,102,625 | 107,858,682 |
| Group | 39,269 | 22,704,198 | 22,264,037 | 31,892 | 25,423,925 | 25,136,811 |
| **Total** | **145,096** | **168,530,191** | **164,365,929** | **127,558** | **136,526,550** | **132,995,493** |

Contracts become effective in the current year and the total contracts become effective and ceased in the same year and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current year numbers and balances.

### 17.9 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:

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions | Number of contracts | Gross contributions | Net contributions |
| Individuals | 4,202 | 43,975,369 | 43,975,369 | 2,410 | 18,507,871 | 18,507,871 |
| Group | 410 | 4,820,335 | 4,820,335 | 1,214 | 7,478,607 | 7,478,607 |
| **Total** | **4,612** | **48,795,704** | **48,795,704** | **3,624** | **25,986,478** | **25,986,478** |

### 17.10 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:

The legal permission of the transfer from life portfolio to private pension portfolio expired on 7 October 2006 and therefore, there is no transfer in the current and prior year.

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

| | 31 December 2010 | | | 31 December 2009 | | |
|---|---|---|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions | Number of contracts | Gross contributions | Net contributions |
| Individuals | 53,244 | 232,889,288 | 192,734,041 | 46,102 | 241,946,404 | 197,485,476 |
| Group | 12,357 | 38,483,285 | 32,042,219 | 10,925 | 34,093,905 | 27,541,185 |
| **Total** | **65,601** | **271,372,573** | **224,776,260** | **57,027** | **276,040,309** | **225,026,661** |

Number of contracts indicates the number of disposals in the related year.

Gross contributions indicate the fund sales amount as a result of disposal, i.e.; disposal amount.

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Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

**17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the year (*):**

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Number of contracts | First premium amounts (TRY) | Number of contracts | First premium amounts (TRY) |
| Individuals | 289,558 | 173,236,443 | 172,180 | 313,349,755 |
| Group | 677,865 | 27,700,095 | 589,427 | 20,750,599 |
| **Total** | **967,423** | **200,936,538** | **761,607** | **334,100,354** |

(*) 1,234 (2009: 1,178) of reactivated contracts are not included in the current year additions.

**17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the year:**

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| | Number of contracts | First premium amounts (TRY) | Number of contracts | First premium amounts (TRY) |
| Individuals | 286,536 | 389,967,470 | 276,608 | 320,293,782 |
| Group | 615,998 | 4,615,012 | 277,430 | 6,025,919 |
| **Total** | **902,534** | **394,582,482** | **554,038** | **326,319,701** |

**17.14 Profit share distribution rate of life insurances as of 31 December 2010-31 December 2009**

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **TRY** | | |
| *Life insurance* | 11.35 | 15.18 |
| *Income insurance* | 11.32 | 15.08 |
| **USD** | | |
| *Life insurance* | 8.37 | 8.21 |
| *Income insurance* | 8.37 | 8.19 |
| **EURO** | | |
| *Life insurance* | 6.28 | 6.39 |
| *Income insurance* | 6.27 | 6.36 |
| **GBP** | | |
| *Life insurance* | 9.56 | 8.60 |
| *Income insurance* | 9.50 | 8.60 |

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### 17.15 Information on insurance contract balances in the financial statements

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Reserve for unearned premiums, gross | 9,372,409 | 7,240,277 |
| Reserve for unearned premiums, ceded *(Note 10)* | (1,290,764) | (1,209,792) |
| **Reserves for unearned premiums, net** | **8,081,645** | **6,030,485** |
| Provision for outstanding claims, gross | 55,733,381 | 54,624,294 |
| Provision for outstanding claims, ceded *(Note 10)* | (589,625) | (640,700) |
| **Provision for outstanding claims, net** | **55,143,756** | **53,983,594** |
| Life mathematical provisions, gross (*) | 2,094,055,132 | 1,977,785,916 |
| Life mathematical provisions, ceded *(Note 10)* | (3,294,984) | (1,299,654) |
| **Life mathematical provisions, net** | **2,090,760,148** | **1,976,486,262** |
| **Equalization provision, net** | **1,220,317** | **383,248** |
| **Total insurance technical provisions, net** | **2,155,205,866** | **2,036,883,589** |

(*) As at 31 December 2010, life mathematical provisions amounting to TRY 1,934,860,059 (31 December 2009: TRY 1,785,617,160) is medium and long term and TRY 159,195,073 (31 December 2009: TRY 192,168,756) is short term.

### 17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January - 31 December 2010 and 2009 are as follows:

| Mathematical provisions | 31 December 2010 | 31 December 2009 |
|---|---|---|
| New policies issued | 127,077,520 | 278,655,521 |
| Activated from reductions | 2,771,535 | 1,770,202 |
| Activated from cancellations | 34,796,742 | 24,433,020 |
| Contracts with increased capital | 242,363,983 | 332,957,701 |
| **Total increase in the portfolio** | **407,009,780** | **637,816,444** |

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2010 and 2009 are as follows:

| Mathematical provisions | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Terminations and cancellations (-) | (4,425,368) | (4,456,920) |
| Transformed to contracts without charge (-) | (24,936,311) | (30,152,839) |
| Contracts with decreased capital (-) | - | (41,950,335) |
| Purchases (-) | (137,498,820) | (163,529,826) |
| Ceased with risk formed (-) | (2,374,426) | (1,988,644) |
| Expirations (-) | (150,393,520) | (150,459,313) |
| **Total decrease in the portfolio** | **(319,628,445)** | **(392,537,877)** |

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Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January - 31 December 2010 and 2009 are as follows:

| **Mathematical provisions** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| New contracts | 10,013,755 | 9,353,188 |
| Activated from reductions | 4,650 | - |
| Activated from cancellations | 656,518 | 81,802 |
| Insurances had capital increase | 984,296 | 7,486,631 |
| **Total increase in the portfolio** | **11,659,219** | **16,921,621** |

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the 1 January - 31 December 2010 and 2009 years are presented as below:

| **Mathematical provisions** | **31 December 2010** | **31 December 2009** |
|---|---|---|
| Terminations and cancellations (-) | (6,727) | (2,673) |
| Transformed to contracts without charge (-) | (910,483) | (300,332) |
| Insurances had capital decrease (-) | - | (3,530,767) |
| Purchases (-) | (3,291,855) | (4,966,637) |
| Ceased with risk formed (-) | (29,470) | (34,684) |
| Expirations (-) | (1,286,960) | (1,022,589) |
| **Total decrease in the portfolio** | **(5,525,495)** | **(9,857,682)** |

### 17.17 Gain/losses resulted from reinsurance contracts and recognized in the income statement

Gain or losses resulted from reinsurance contracts and recognized in the income statement are disclosed in note 10, *reinsurance assets/liabilities*.

### 17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

| **Claim year** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **Total** |
|---|---|---|---|---|---|---|---|
| Claim year | 6,896,495 | 9,843,781 | 7,656,449 | 7,662,547 | 6,212,268 | 10,872,103 | 49,143,643 |
| 1 year later | 1,659,250 | 1,141,871 | 1,821,855 | 3,634,320 | 4,233,157 | - | 12,490,453 |
| 2 years later | 87,459 | 237,776 | 274,031 | 273,370 | - | - | 872,636 |
| 3 years later | 77,134 | 80,598 | 59,645 | - | - | - | 217,377 |
| 4 years later | 35,221 | 31,458 | - | - | - | - | 66,679 |
| 5 years later | - | - | - | - | - | - | - |
| **Cumulative payments up to date** | **8,755,559** | **11,335,484** | **9,811,980** | **11,570,237** | **10,445,425** | **10,872,103** | **62,790,788** |
| **Payments for the year ended 2010 (*)** | **-** | **31,458** | **59,645** | **273,370** | **4,233,157** | **10,872,103** | **15,469,733** |

(*) The claims paid includes death-disability termination and personal accident branch gross payments.

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

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4, *management of insurance risks.*

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### 18. Investment contracts

None.

### 19. Trade and other payables and deferred income

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Payables from insurance operations | 2,751,562 | 963,434 |
| Cash deposited by insurance and reinsurance companies | 543,884 | 413,348 |
| Payables from pension activities | 2,670,878,516 | 1,991,280,094 |
| **Total payables from main operations** | **2,674,173,962** | **1,992,656,876** |
| Due to shareholders | 2,674 | 1,517 |
| Payables to other related parties | 1,411 | 626 |
| **Total payables to related parties** | **4,085** | **2,143** |
| Guarantees and deposits received | 201,082 | 169,207 |
| Other payables | 5,821,671 | 11,048,604 |
| **Total other payables** | **6,022,753** | **11,217,811** |
| Deferred income | 1,160,520 | 1,121,543 |
| Expense accruals | 172,274 | 642,049 |
| **Total deferred income and expense accruals** | **1,332,794** | **1,763,592** |
| **Total** | **2,681,533,594** | **2,005,640,422** |

### 20. Financial liabilities

The Company has no financial liabilities as at 31 December 2010 (31 December 2009: TRY 153).

### 21. Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% tax rate is used in the calculation of deferred tax asset and liabilities.

| Deferred tax (assets)/liabilities base: | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards | (3,171,528) | (3,347,637) |
| Provision for employee termination benefits | (3,566,916) | (3,387,351) |
| Provision for unused vacation pay liability | (735,708) | (573,756) |
| Equalization reserves | (1,220,317) | (383,248) |
| Difference in valuation of financial assets | 15,767,522 | 3,190,186 |
| **Total** | **7,073,053** | **(4,501,806)** |

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| Deferred tax (assets)/liabilities: | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards | (634,306) | (669,527) |
| Provision for employee termination benefits | (713,383) | (677,470) |
| Provision for unused vacation pay liability | (147,142) | (114,751) |
| Equalization reserves | (244,063) | (76,650) |
| Difference in valuation of financial assets | 3,153,504 | 638,037 |
| **Total** | **1,414,610** | **(900,361)** |

Movement of deferred tax assets/liabilities as at 31 December 2010 and 2009 are given below:

| Movement of deferred tax (assets)/liabilities: | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Opening balance at 1 January | (900,361) | (1,736,549) |
| Recognized in profit or loss | 1,946,014 | (739,094) |
| Recognized in equity | 368,957 | 1,575,282 |
| **Closing balance at the end of the year** | **1,414,610** | **(900,361)** |

### 22. Retirement benefit obligations

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The termination benefit to be paid is subject to upper limit of TRY 2,517.01 as at 31 December 2010 (31 December 2009: TRY 2,365.16).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.1% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2009: 4.8%, 11% and 5.92%, respectively). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirement pay is also taken into account.

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Provision as at 1 January | 3,387,351 | 2,857,469 |
| Interest cost | 157,925 | 169,048 |
| Service cost | 1,000,173 | 765,325 |
| Payments made during the year | (1,021,004) | (414,375) |
| Actuarial gain and losses | 42,471 | 9,884 |
| **Provision as at 31 December** | **3,566,916** | **3,387,351** |

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### 23. Other liabilities and provisions

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Provision for unused vacation pay liability | 735,708 | 573,756 |
| Provision for commissions to sales personnel | 415,000 | 455,800 |
| **Provisions for costs** | **1,150,708** | **1,029,556** |
| **Provision for employee termination benefits** | **3,566,916** | **3,387,351** |
| **Total provisions for other risks** | **4,717,624** | **4,416,907** |

### 24. Net insurance premium revenue

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Non-life | 164,340 | 198,203 |
| Life | 350,122,861 | 494,703,845 |
| **Total** | **350,287,201** | **494,902,048** |

### 25. Fee revenues

The details of fee revenues for year ended 31 December 2010 and 2009 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Fund management income | 55,617,732 | 40,309,120 |
| Administrative cost deductions | 23,501,810 | 19,614,669 |
| Entrance fee | 15,711,175 | 19,148,408 |
| Administrative cost deductions in the form of cessation | 231,133 | 195,622 |
| Other technical income | 94,256 | 140,632 |
| Increase in value of capital allowances given | 324 | - |
| **Total** | **95,156,430** | **79,408,451** |

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### 26. Investment income

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| ***Financial assets held-for-trading:*** | | |
| Interest income | 7,348,202 | 10,817,445 |
| Dividend income | 258,282 | 832,584 |
| Gain on sale | 6,708,561 | 19,194,212 |
| Valuation gain | 4,162,004 | 8,759,803 |
| ***Financial assets available- for-sale:*** | | |
| Interest income | 107,886,750 | 134,608,474 |
| Dividend income | 2,141,039 | 1,854,357 |
| Gain on sale | 21,894,940 | 8,954,405 |
| Valuation gain | 92,919,012 | 119,029,521 |
| ***Income from associates:*** | 809,335 | 2,060,891 |
| ***Investment properties:*** | | |
| Rent income | 2,335,332 | 2,308,162 |
| ***Other income:*** | 19,062,728 | 8,042,106 |
| **Total (*)** | **265,526,185 (*)** | **316,461,960 (*)** |

(*) TRY 70,034,497 (31 December 2009: TRY 87,868,610) of investment income obtained from the Company's own portfolio and TRY 195,491,688 (31 December 2009: TRY 228,593,350) of investment income obtained from policyholders' portfolio.

### 27. Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| ***Available-for-sale financial assets:*** | | |
| Fair value differences recognized in equity | 31,247,163 | 26,850,954 |
| Fair value differences recognized in profit/loss | 12,427,034 | 28,026,760 |
| **Total** | **43,674,197** | **54,877,714** |

### 28. Assets held at fair value through profit or loss

Net gain from assets held at fair value through profit or loss recognized in income statement as of 31 December 2010 is TRY 18,477,049 (31 December 2009: TRY 30,844,241).

### 29. Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

### 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* below.

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### 32 Operating expenses

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Production commission expenses | (44,155,317) | (34,391,631) |
| Employee benefit expenses | (43,833,904) | (36,514,185) |
| Bank fees | (14,023,175) | (11,918,790) |
| Rent expense | (11,697,482) | (9,396,709) |
| Administration expenses | (4,872,001) | (4,578,686) |
| Marketing and sales expenses | (2,156,267) | (2,254,739) |
| Outsourced benefits and services | (1,285,933) | (684,605) |
| Reinsurance commission income | 1,059,758 | 1,083,374 |
| Other expenses | (2,735,841) | (1,879,456) |
| **Total** | **(123,700,162)** | **(100,535,427)** |

### 33 Employee benefit expenses

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Wages and salaries | 43,833,904 | 36,514,185 |
| Employee termination benefits | 179,565 | 529,882 |
| Provision for unused vacation | 161,952 | 147,230 |
| **Total** | **44,175,421** | **37,191,297** |

### 34 Financial costs

The Company's finance expense which is recognized directly as expense in the current year amounted to TRY 150 (31 December 2009: TRY 1,136).

### 35 Income tax expense

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| ***Corporate tax liabilities:*** | | |
| Corporate tax provision | 15,435,000 | 18,709,000 |
| Less: Corporation taxes paid in advances during the year | (15,139,000) | (19,017,266) |
| **Total** | **296,000** | **(308,266)** |

*Total tax expense recognized in profit or loss*

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Current tax expense | 15,435,000 | 18,709,000 |
| Deferred tax expense/(income) | 1,946,014 | (739,094) |
| **Total** | **17,381,014** | **17,969,906** |

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*Total tax expense recognized in equity*

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Change in fair value of available for sale financial assets | 3,279,967 | 2,911,010 |
| **Total deferred tax expense recognized in equity** | **3,279,967** | **2,911,010** |

*Reconciliation of the Company's taxation for the year ended 31 December 2010 and 2009 are as follows:*

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| **Profit before tax** | **86,832,334** | **Tax rate (%)** | **97,993,428** | **Tax rate (%)** |
| Taxes on income per statutory tax rate | (17,366,467) | (20.00) | (19,598,686) | (20.00) |
| Disallowable expenses | (702,940) | (0.81) | (3,256,284) | (3.32) |
| Effect of allowances | 688,393 | 0.79 | 4,885,064 | 4.99 |
| **Total tax expense recognized in profit or loss** | **(17,381,014)** | **(20.02)** | **(17,969,906)** | **(18.34)** |

### 36. Net foreign exchange gains

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Foreign exchange gains | 994,669 | 1,314,792 |
| Foreign exchange losses | (856,035) | (1,595,288) |
| **Total** | **138,634** | **(280,496)** |

### 37. Earnings per share

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **For a share having TRKr (Kuruş) 1 of nominal value:** | | |
| Weighted average number of outstanding shares | 25,000,000,000 | 25,000,000,000 |
| Net profit for the year | 71,397,334 | 79,284,428 |
| Earnings per share (for 100 shares) | 0.28559 | 0.31714 |

### 38. Dividends per share

The Company's dividend distribution in 2010 from the profit of 2009 is presented below.

| | | | Cash dividend corresponding to a share having TRY 1 of nominal value | |
|---|---|---|---|---|
| | **Group** | **Total Cash Dividend Amount (TRY)** | **Amount (TRY)** | **Rate (%)** |
| | **A** | 220,000 | 0.220000 | 22.0000 |
| | **B** | 54,780,000 | 0.220000 | 22.0000 |
| **Gross** | **Total** | 55,000,000 | | |
| | **A** | 187,000 | 0.187000 | 18.7000 |
| | **B** | 46,563,000 | 0.187000 | 18.7000 |
| **Net** | **Total** | 46,750,000 | | |

The Company's dividend distribution in 2010 from the profit of 2009 is TRY 55,000,000. Other than that, a dividend of TRY 1,815,040 is distributed to the personnel of the Company.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

### 39. Cash generated from operations

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

### 40. Convertible bonds

None.

### 41. Redeemable preference shares

None.

### 42. Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at 31 December 2010, there are 78 ongoing law suit filed against the Company and total amount of these suits are TRY 1,549,984. TRY 2,341,230 (31 December 2009: TRY 1,661,109) of provision including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements. There are 49 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 1,213,068. Subsequent to the balance sheet date, there is no expected amount of law suits to be prosecuted against the Company.

### 43. Commitments

Total amount of commitments that are not included in liabilities:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Guarantees and commitments | 469,281 | 231,016 |
| **Guarantees and Commitments** | **469,281** | **231,016** |

Finance Lease Liabilities:

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Within one year | - | 153 |
| Between two to five years | - | - |
| **Finance lease liabilities** | **-** | **153** |

### 44. Business combinations

None.

### 45. Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Turkey İş Bankası A.Ş. with a 62% of share.

b. In accordance with the Company's activities, items of sub-classifications

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

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Unconsolidated Financial Statements

## As at 31 December 2010

(Currency: Turkish Lira (TRY))

c. No expense is recognized in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the year presented in the recent financial statements of such participations; net profit/loss for the year and year covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

| | Carrying amount | Participation rate (%) | Year | Profit before income tax | Net profit of the year | Financial statements base | Independent auditor's opinion |
|---|---|---|---|---|---|---|---|
| İş Portföy Yönetimi A.Ş. | 5,762,193 | 20 | 31.12.2010 | 13,742,749 | 10,986,068 | SPK XI/29 | Unqualified |

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

The Company has obtained bonus shares through capital increases in associates from profit or capital reserves amounting TRY 809,335.

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

g. Related party disclosures

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Türkiye İş Bankası A.Ş. – receivables from credit card collections | 46,766,891 | 38,055,649 |
| **Other cash and cash equivalents** | **46,766,891** | **38,055,649** |
| Türkiye İş Bankası A.Ş. – bank deposits | 62,673,024 | 73,444,882 |
| **Cash at banks** | **62,673,024** | **73,444,882** |
| Anadolu Anonim Türk Sigorta Şirketi – premium receivables | 7,891 | 95,256 |
| **Receivables from main operations** | **7,891** | **95,256** |
| Türkiye İş Bankası A.Ş. – commission payables | 1,739,234 | 1,222,790 |
| Millî Reasürans T.A.Ş. – premium payables | 76,979 | 72,594 |
| **Payable from main operations** | **1,816,213** | **1,295,384** |
| Anadolu Anonim Türk Sigorta Şirketi – premium payables | 2,674 | 1,517 |
| **Payables to shareholders** | **2,674** | **1,517** |
| İş Portföy Yönetimi A.Ş. | 933,993 | - |
| İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş. | 41,483 | 23,712 |
| İş Koray Turizm Ormancılık Madencilik İnşaat Taahhüt ve Ticaret A.Ş. | 376 | 413 |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 64,112 | 80,870 |
| **Other payables** | **1,039,964** | **104,995** |

# Anadolu Hayat Emeklilik A.Ş.

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

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

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Millî Reasürans T.A.Ş. - Premiums written, ceded | 664,308 | 576,598 |
| **Premiums written, ceded** | **664,308** | **576,598** |
| Millî Reasürans T.A.Ş. - Commission income from reinsurers | 116,776 | 123,266 |
| **Commission income from reinsurers** | **116,776** | **123,266** |
| Türkiye İş Bankası A.Ş. – interest income from deposits | 2,160,580 | 2,360,118 |
| **Investment income** | **2,160,580** | **2,360,118** |
| İş Portföy Yönetimi A.Ş. – portfolio management fee | 144,150 | 277,208 |
| İş Portföy Yönetimi A.Ş. – investment consultancy fee | 157,500 | 65,625 |
| İş Portföy Yönetimi A.Ş. – secondary market operations of marketable securities | 88,737 | 74,461 |
| **Investment expense** | **390,387** | **417,294** |
| Türkiye İş Bankası A.Ş. – commission of policy production | 15,964,133 | 11,656,458 |
| Türkiye İş Bankası A.Ş. – commission of premium collection and banking services | 1,126,192 | 1,353,278 |
| Anadolu Anonim Türk Sigorta Şirketi – premium paid | 908,839 | 575,143 |
| İş Portföy Yönetimi A.Ş. – portfolio management fee of pension funds | 9,634,293 | 7,218,212 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. – rent expense | 2,507,846 | 2,344,029 |
| Anadolu Anonim Türk Sigorta Şirketi – rent expense | 141,099 | 135,080 |
| **Other expenses** | **30,282,402** | **23,282,200** |

### 46 Subsequent events

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

### 47 Others

**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**

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 are as follows:

| Current Assets (Cash and Cash Equivalent Assets) | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Cash in transit | 52,404,769 | 42,834,036 |
| **Total** | **52,404,769** | **42,834,036** |

| Current Assets (Other Receivables) | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Securities reconciliation account | 5,693,029 | 4,203,419 |
| Other | 591,634 | 553,111 |
| **Total** | **6,284,663** | **4,756,530** |

# Anadolu Hayat Emeklilik A.Ş.
## Notes to the Unconsolidated Financial Statements
## As at 31 December 2010
(Currency: Turkish Lira (TRY))

| Short-term Liabilities (Other Miscellaneous Payables) | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Suspense accounts | 3,603,006 | 8,240,819 |
| Payable to suppliers | 1,833,526 | 1,848,890 |
| Other | 384,280 | 958,036 |
| Dividends to be paid | 859 | 859 |
| **Total** | **5,821,671** | **11,048,604** |

**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 no longer required | 487,406 | - |
| Provision expense for receivables from main operations | 13,850 | (33,900) |
| Unused vacation pay liability | (161,952) | (147,230) |
| Provision for employee termination benefits | (179,565) | (529,883) |
| Other provision expenses | 40,800 | (298,963) |
| **Provision expense** | **200,539** | **(1,009,976)** |

# Anadolu Hayat Emeklilik A.Ş.

## Information on Financial Structure

With its capital backed by its strong shareholding structure since its foundation and its business philosophy focused on sustainable profitability in the branches in which it is active, Anadolu Hayat Emeklilik always succeeded in taking place among the industry's strongest companies with respect to financial structure.

A key indicator of a strong financial structure, the Capital Adequacy Statement is reported at regular intervals in line with the legal requirements, and as such, it is registered before the public authority that our company possesses a capital in excess of the capital amount necessary to cover its liabilities.

Capital Adequacy Statements for the last three years presented hereinbelow show that the company's shareholders' equity with respect to the relevant fiscal years are above the required shareholders' equity amounts.

| | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---|---|---|---|
| Required Capital for Non-Life Branches | 178,239 | 28,753 | 37,191 |
| Required Capital for Life Branches | 100,852,982 | 96,160,222 | 78,870,306 |
| Required Capital for Pension Branch | 8,424,900 | 6,757,190 | 5,181,501 |
| **TOTAL REQUIRED CAPITAL** | **109,456,121** | **102,946,165** | **84,088,998** |
| **CAPITAL** | **450,645,954** | **429,892,005** | **349,939,874** |
| **LIMIT GAP** | **341,189,833** | **326,945,840** | **265,850,876** |

### • AN ASSESSMENT OF THE OPERATIONS OF THE COMPANY'S SEGMENTS

Anadolu Hayat Emeklilik closed 2010 posting a technical profit of TRY 27 million in life insurance, personal accident insurance and private pension branches in which it is active.

The distribution of balance sheet and income statement items according to branches was based on the distribution key that was set out in the "Circular on the Principles and Procedures for Keys Used in Financial Statements Drawn Up within the Frame of Uniform Chart of Accounts in Insurance" dated 04 January 2008 published by the Undersecretariat of Treasury.

The table below shows the contributions of the branches in which the company is active to our financial structure with respect to profitability and asset sizes.

| 31 December 2010 | Life | Individual Pension | Personal Accident | Total |
|---|---|---|---|---|
| ***Continuing operations:*** | | | | |
| Technical income | 551,195,278 | 95,156,430 | 171,844 | 646,523,552 |
| Technical expense | (537,249,963) | (82,036,396) | (397,551) | (619,683,910) |
| Total of other income and expense | 50,004,674 | 9,640,296 | 347,722 | 59,992,692 |
| **Income before tax** | **63,949,989** | **22,760,330** | **122,015** | **86,832,334** |
| Income tax expense | - | - | - | (15,435,000) |
| **Net profit for the year** | **63,949,989** | **22,760,330** | **122,015** | **71,397,334** |
| **31 December 2010** | **Life** | **Individual Pension** | **Personal Accident** | **Total** |
| Segment assets | 2,558,881,548 | 2,722,324,906 | 17,784,720 | 5,298,991,174 |
| **Total assets** | **2,558,881,548** | **2,722,324,906** | **17,784,720** | **5,298,991,174** |
| Segment liabilities | (2,533,359,814) | (2,748,025,256) | (17,606,104) | (5,298,991,174) |
| **Total liabilities** | **(2,533,359,814)** | **(2,748,025,256)** | **(17,606,104)** | **(5,298,991,174)** |
| ***Other segment information*** | | | | |
| Depreciation and amortization | (2,290,552) | (441,950) | (15,998) | **(2,748,500)** |

### • FINANCIAL ASSETS

Life insurance and private pension funds created before our company are invested within the frame of processes, which are defined by the provisions of applicable legislation, and are constantly monitored by the public authorities. These invested funds are recognized in the balance sheet assets in line with the provisions of the International Accounting Standards which we are obliged to comply with.

Our primary goal is to ensure maximization of benefits for our company and for all our shareholders.

# Anadolu Hayat Emeklilik A.Ş.

## Information on Financial Structure

The Company manages financial assets into which the funds that belong to our Company and those into which life branch funds are invested. The Company's fund management principles are formulated in compliance with the requirements of effective cash and asset management. These assets are presented hereinbelow in order.

| Financial Assets | Cost Value | Fair Value | Book Value |
|---|---|---|---|
| Held-to-Maturity Assets | 56,569,018 | 65,860,731 | 65,860,731 |
| Loans (receivables from reverse repo transactions) | 297,464 | 297,516 | 297,516 |
| Available-for-Sale Assets | 321,666,848 | 370,251,786 | 370,251,786 |
| **TOTAL** | **378,533,330** | **436,410,033** | **436,410,033** |
| | **Cost Value** | **Fair Value** | **Book Value** |
| **Financial Assets and Investments with Risks on Policy Holders** | 1,796,829,589 | 2,016,552,956 | 2,016,552,956 |
| **TOTAL** | **1,796,829,589** | **2,016,552,956** | **2,016,552,956** |

Private Pension funds, on the other hand, are managed by İş Portföy Yönetimi, HSBC Portföy Yönetimi, and TEB Portföy Yönetimi companies in line with the decisions passed by the relevant Fund Committees.

| Private Pension Funds | Number | Amount |
|---|---|---|
| AH1 Bond Fund | 27,679,333,589.65 | 1,017,769,096.09 |
| AH2 Liquid Fund | 2,579,462,040.52 | 65,897,516.75 |
| AH3 Eurobond Dollar Fund | 2,733,222,113.08 | 54,489,516.04 |
| AH4 Eurobond Euro Fund | 2,549,902,606.69 | 47,871,871.54 |
| AH5 Equity Fund | 1,775,358,800.49 | 119,460,342.97 |
| AH6 International Mixed Fund | 332,624,247.10 | 5,748,412.24 |
| AH8 Conservative Fund | 2,305,239,236.06 | 68,486,352.46 |
| AH9 Balanced Fund | 14,728,475,608.56 | 604,220,983.37 |
| AH0 Aggressive Fund | 4,694,946,079.01 | 296,011,655.33 |
| AGE Alternative Gain Fund | 40,036,050.76 | 409,088.37 |
| ABE BRIC Plus Fund | 213,456,947.81 | 2,394,133.12 |
| | **Number** | **Amount** |
| AG1 Group Bond Fund | 1,814,736,792.47 | 58,701,291.03 |
| AG2 Group Eurobond Fund | 185,168,965.97 | 2,804,383.99 |
| AG3 Group Equity Fund | 293,424,718.17 | 12,043,910.98 |
| AG4 Group Conservative Fund | 1,480,179,773.42 | 40,616,132.98 |
| HS1 Bond - Bill Fund | 7,663,308,793.44 | 175,972,559.82 |
| AHB White Equity Fund | 705,396,557.95 | 15,937,729.83 |
| ATK Orange Bond - Bill Fund | 1,107,668,639.86 | 19,282,295.68 |
| ATE Orange Balanced Fund | 663,003,411.70 | 11,842,566.94 |
| **Total** | **73,544,944,972.71** | **2,619,959,839.53** |

# Anadolu Hayat Emeklilik A.Ş.

## Assessment of Financial Standing, Profitability And Claims Payment Ability

2010 was a year of economic recovery for the global and Turkish economies, while competition in life insurance and private pension branches increased with the new companies that joined the sector, and changed market conditions.

Remaining as the driver of the sector in its relevant branches, Anadolu Hayat Emeklilik succeeded in maintaining its stable and profitable growth throughout 2010. The Company kept creating added value for the sector and for the national economy owing to its strong shareholding structure, sound financial structure, and corporate culture.

Along these lines, the Company attained increased technical profitability in life and private pension branches, and posted TRY 86.8 million and TRY 71.4 million in gross and net profit, respectively, as at year-end 2010.

### ASSET PERFORMANCE

The Company increased its total assets by 18% and reached an asset size of TRY 5,299 million.

Within asset items, financial assets that take the first place in terms of size and investments with risks on policyholders were up 6% year-on. Financial investments with risks on policyholders, which make up 82% of the said item, refer to the amount of financial assets into which the policyholders' funds under the Company's management are invested. In 2010, the Company posted TRY 357 million in premium production in life branch and this increase is expected to continue in the coming period, in parallel with our leadership in the industry.

Receivables from pension operations, which refer to the total amount of accumulation in Private Pension Funds reached by the contributions deposited by our participants with the Company under the Private Pension System, grew 34% year-on and rose from TRY 1,953 million to TRY 2,620 million.

In 2010, private pension funds managed by our Company were worth TRY 4,711 million and made up 56% of the total assets.

Taking place among our asset items, FX assets amounting to TRY 309 million cover 100% of our existing FX liabilities.

### LIABILITY PERFORMANCE

In Anadolu Hayat Emeklilik's balance sheet, liabilities consist of payables due to pension operations by 50%, technical provisions by 41%, and shareholders' equity and other liability items by 9%.

Running in reciprocation with the receivables from pension operations under assets with respect to the private pension portfolio, the payables due to pension operations item registered 34% year-on growth, driven by the performance displayed in the valorization of savings of existing participants as well as in new productions.

Expressing our liabilities towards our policyholders, life mathematical provisions increased 6% year-on and rose from TRY 1.9 billion to TRY 2.1 billion. Paralleling the increase in production, the 6% increase in this amount, which includes the growth in our policyholders' savings amounts and actuarial liabilities towards our policyholders, indicates a successful operating period with respect to the life insurance segment.

As of 31 December 2010, the minimum amount of shareholders' equity necessary for the company as calculated on the principles set by the Turkish Treasury was TRY 109 million; the company's shareholders' equity as of the said date stood at TRY 451 million. Carrying on its activities in life insurance and private pension branches as the sectoral leader, our company has maintained its strong shareholders' equity ever since its foundation.

### CLAIMS PAYMENT ABILITY

Claims paid in life insurance branch by the company in 2010 totaled TRY 130 million. There was 10% decrease in this amount when compared with 2009.

Our claim payments consist of policy maturity and death benefit payments in relation to our life insurance and accumulation-based products from the prior periods, and our production covering both aspects.

The amount paid by the company on accumulating products at the expiration of the insurance period was TRY 117 million, down 6% year-on.

These disbursements are basically covered through disposal of marketable securities that belong to our policyholders and registered under the Company's assets.

In 2010, death benefit payments went up 4% to TRY 13 million compared with 2009.

In addition to the points mentioned above, the Company is considered to possess a high claims payment ability when its capital structure, shareholders' equity and profit generation potential are taken into consideration.

# Anadolu Hayat Emeklilik A.Ş.

## Risk Management Policies

### Risk Management Policies Implemented on the Basis of Types of Risks

The company's risk policies and related implementation procedures incorporate written norms formulated and enforced by the Board of Directors in line with the proposals of the Risk Management and Internal Control Department, and then put into implementation by senior management.

Risk Management and Internal Control Department is responsible for describing, measuring, analyzing, monitoring risks and reporting them to relevant units. Other responsibilities of the department include following up the developments in risk management, improving the techniques and methods employed, and submitting reports to the Board of Directors on necessary legal reporting, notification and follow-up activities. In addition, the department also acts as the Compliance Unit with regard to the enforcement of the Law no 5549 on Prevention of Laundering Proceeds from Crime and related regulations.

Primary risk categories that the company may be exposed to are defined as insurance underwriting and pension branch risk, market risk, credit risk and operational risks.

### Insurance Underwriting and Pension Branch Risk Policy

In life and pension branch products, the basic principle is to establish the actuarial structure in line with technical profit forecasts within the frame of precautionary principle. Along this line, technical income and expenses for life and pension branches are set within the frame of the principles stipulated by insurance and private pension legislation, taking into consideration the company's risk appetite.

The basic stages of Insurance Underwriting and Pension Branch Risk management and monitoring are as follows:

- Loss/premium ratios on the basis of branches (reinsurer's share included and excluded) and their course by periods,
- Comparison of loss/premium ratios with those in the industry,
- Severity of losses on the basis of branches and their course by periods,
- Distribution of premiums ceded to reinsurers on the basis of branches and comparison with the industry,
- Monitoring account transfers among companies and their amounts in the pension branch,
- Comparison of the size of pension funds and number of participants against the industry and the course of funds' performances.

### Market Risk Policy

The basic and ultimate purpose of the company's activities in money and capital markets is to generate returns. The basis of Market Risk policies is to measure, report and keep under control the risk that the company is exposed to by reason of such activity.

The top priority for the company is to keep the free portfolio away from speculative movements and to manage it in a profitable and active manner. The basic principle is to ensure that the transactions carried out in the money and capital markets are "well diversified" so as to avoid any concentration in any instrument, maturity, currency, interest type and other similar parameters and in view of the risk level created thereby.

The basic stages of Market Risk management process are as follows:

- Value at Risk (VaR) pertaining to the company's marketable securities (free portfolio) is calculated daily employing internationally accepted statistical methods, the application terms of which are set by the legislation.
- Measurement results are tested in terms of their reliability.
- Scenario analyses and stress tests are performed to examine the course the risk taken will follow in various scenarios.
- Results of measurements and tests are monitored by the Risk Management & Internal Control Department and reported to the Board of Directors.
- The Board of Directors evaluates the test results and determines the actions deemed necessary.
- In the monitoring of the Market Risk, Liquidity Risk is monitored employing necessary techniques and is reported to the Board of Directors.

Market risk limits are company-specific risk limits that are set by the Board of Directors in accordance with the company's risk appetite. Any instance of limit violation is closely and constantly monitored by the Department and related executive units. In the event of limit overruns, the violation and the reasons therefor are reported forthwith to the Board of Directors, accompanied by the executive units' comments. Action to be taken in the event of limit overrun is decided by the Board of Directors.

# Anadolu Hayat Emeklilik A.Ş.

## Risk Management Policies

### Credit Risk Policy

Credit Risk refers to the “situation the company is faced with due to the failure of third parties, with which the company transacts with, to fulfill the requirements of the contract made and to their failure to timely satisfy their obligations in part or in whole”. Credit Risk is the process which arises from the company’s relations with brokers and reinsurers particularly on the basis of distribution channels and which makes up the body of transactions and decisions starting with marketing activities and covering the advertising and sales of the company products, transfer of risks and collections of premiums.

Any counter-party transactions that gives rise to credit risk must be managed so as to prevent any concentration and to ensure a “well-diversified” composition, keeping a close eye on the risk level created thereby. To this end, the credit risk assumed is monitored via various criteria including collateral, relevant industry, maturity and currency.

The basic stages of Credit Risk management process are as follows:
- Risk level of insurance brokers,
- Risk level of reinsurers,
- Risk level of companies in which shareholding stakes are acquired,
- Risk level of banks/financial institutions from which financial services are obtained.

The Risk Management & Internal Control Department monitors all credit risks that the company may be exposed to during its activities, whether the third parties with which the company interacts fulfill their contractual obligations, the risk level of their activities, and the Credit Risk-related losses that occur in the company at regular intervals. The Risk Management & Internal Control Department periodically reports on the same to the Board of Directors.

### Operational Risk Policy

Operational risks are defined as risks other than insurance underwriting, pension branch, credit and market risks, which will cause the company to suffer physical or reputational loss. The basic principle is to measure, analyze, monitor and report on these risks that may occur in the organization, business continuity, technology, human resource, legislation, management, or business environment. The company classified the basic risks it may be faced with in the risk catalogue. The risk catalogue is updated according to undefined risks that the company may be exposed to due to the changes in the business environment and business processes. Operational risks are defined by seeking information from the staff doing the job and also centrally by the Risk Management & Internal Control Department.

For management of operational risks, qualified data must be available which are appropriate for analysis. Operational risk management processes combines both qualitative and quantitative approaches in measurement and assessment. The most important part in the identification of operational risks is the description of risks, and determination of risk data necessary for measurement methodology and of the sources from which these data can be obtained. After they are defined and their loss extents are determined in the light of these data, risks are reported to the Board of Directors.

### Auditing of Risk Management System and Processes

The risk management system and processes are audited by the Board of Internal Audit. The Board of Directors determines the principles relating to execution of action plans for the conduct of the audit, the reporting of audit results, and remedy of errors and irregularities identified in the audits.

The company’s risk management and assessment process consists of providing information to the Board of Directors on topics such as:
- Adequacy of the company’s risk management system and processes,
- Compliance with limits,
- Accuracy and quality of the data used in the risk management process,
- Accuracy and quality of limit violation reports,
- Compliance by the personnel with the policy and implementation procedures,
- Quality of positions in relation to money and capital market transactions.

The process also includes laying down proposals regarding the possible measures that can be adopted, as well as reporting stages.

# Anadolu Hayat Emeklilik A.Ş.

## 5-Year Summary Financial Information Including the Reporting Period

### Financial Highlights and Key Ratios

| Financial Highlights (TRY thousand) | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Total Premium and Contribution Production* | 692,597 | 684,110 | 685,767 | 844,155 | **899,211 |
| Total Technical Profit | -3,749 | 7,958 | 18,296 | 18,820 | 26,839 |
| Total Assets | 2,267,789 | 2,825,117 | 3,399,914 | 4,480,463 | 5,298,991 |
| Nominal Capital | 175,000 | 175,000 | 250,000 | 250,000 | 250,000 |
| Shareholders' Equity | 321,641 | 344,312 | 349,940 | 429,892 | 450,646 |
| Financial Income | 51,471 | 58,027 | 58,964 | 87,869 | 70,034 |
| Pretax Profit | 30,853 | 57,091 | 67,350 | 97,993 | 86,832 |

| Key Ratios | (%) | (%) | (%) | (%) | (%) |
|---|---|---|---|---|---|
| Pretax Profit/Shareholders' Equity | 10 | 17 | 19 | 23 | 19 |
| Premium and Contribution Production/Total Assets | 31 | 24 | 20 | 19 | 17 |
| Shareholders' Equity/Total Assets | 14 | 12 | 10 | 10 | 9 |

* Total premium figures include premiums from personal accident branch.

** As per the data released by the Pension Monitoring Center as of 07 January 2011.

### Premium and Private Pension Contribution Production

#### Private Pension Contribution Production (TRY thousand)

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 351,810 | 344,916 | -2 | 340,439 | -1 | 344,107 | 1 | 541,600 | 57 |

#### Life /Non-Life Premium Production (TRY thousand)

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 340,787 | 339,194 | - | 345,328 | 2 | 500,048 | 45 | 357,611 | -28 |

#### Premium and Private Pension Contribution Production (TRY thousand)

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 692,597 | 684,110 | -1 | 685,767 | - | 844,155 | 23 | 899,211 | 7 |

# Anadolu Hayat Emeklilik A.Ş.

## 5-Year Summary Financial Information Including the Reporting Period

### Mathematical Reserves and Dividend Reserves (TRY thousand)

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 1,319,478 | 1,453,067 | 10 | 1,608,158 | 11 | 1,976,486 | 23 | 2,090,760 | 6 |

### Pension Funds (TRY thousand)

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 527,623 | 910,158 | 73 | 1,322,590 | 45 | 1,952,892 | 48 | 2,619,960 | 34 |

### Policy Maturity and Death Benefit Payments

**Policy Maturity (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 200,620 | 163,616 | -18 | 140,549 | -14 | 132,531 | -6 | 117,124 | -12 |

**Death Benefit Payments (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 14,214 | 10,335 | -27 | 12,859 | 24 | 12,067 | -6 | 12,548 | 4 |

**Total (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 214,834 | 173,951 | -19 | 153,408 | -12 | 144,598 | -6 | 129,672 | -10 |

### Technical Results

**Life Insurance (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 17,768 | 26,341 | 48 | 11,272 | -57 | 7,250 | -36 | 13,945 | 92 |

**Non-Life Insurance (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| (78) | (120) | 54 | 111 | 193 | 56 | -50 | (226) | - |

**Private Pension (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| (21,439) | (18,263) | - | 6,913 | - | 11,514 | 67 | 13,120 | 14 |

**Total (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| (3,749) | 7,958 | - | 18,296 | 130 | 18,820 | 3 | 26,839 | 43 |

# Anadolu Hayat Emeklilik A.Ş.

## 5-Year Summary Financial Information Including the Reporting Period

**Financial Income (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 51,471 | 58,027 | 13 | 58,964 | 2 | 87,868 | 49 | 70,034 | -20 |

**Financial Expenses and Other Expenses (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| (16,869) | (8,894) | -47 | (9,910) | 11 | (8,695) | -12 | (10,041) | 15 |

**Pretax Profit (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 30,853 | 57,091 | 85 | 67,350 | 18 | 97,993 | 45 | 86,832 | -11 |

**Shareholders' Equity (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 321,641 | 344,312 | 7 | 349,940 | 2 | 429,892 | 23 | 450,646 | 5 |

**Total Assets (TRY thousand)**

| 2006 | 2007 | Change (%) | 2008 | Change (%) | 2009 | Change (%) | 2010 | Change (%) |
|---|---|---|---|---|---|---|---|---|
| 2,267,789 | 2,825,117 | 25 | 3,399,914 | 20 | 4,480,463 | 32 | 5,298,991 | 18 |

# Anadolu Hayat Emeklilik A.Ş.

## Information for Investors

### Stock Exchange

Anadolu Hayat Emeklilik A.Ş. stocks are traded on the İstanbul Stock Exchange (ISE) in the national market under the symbol ANHYT. Information about the Company's stocks is published on the economics pages of daily newspapers and on the internet portals of brokerage houses.

### Investor Relations

Copies of Anadolu Hayat Emeklilik A.Ş.'s annual reports and other information about the company may be obtained from the following address as well as from the corporate website located at anadoluhayat.com.tr.

### Shareholder Relations Unit

Anadolu Hayat Emeklilik A.Ş.
İş Kuleleri Kule 2 Kat:19, 34330, Levent İstanbul

### Annual General Meeting

Anadolu Hayat Emeklilik A.Ş.'s Annual General Meeting will be held on 29 March 2011 at 14:00 hours at the address of İş Kuleleri, Kule 2, Kat 20, 34330 Levent, İstanbul.

### Independent Auditor

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Yapı Kredi Plaza C Blok Kat:17
Levent 34330 İstanbul

### Tax Certification

DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.
Maslak Mah. Bilim Sokak Sun Plaza No:5 Kat:23
Maslak 34398 İstanbul

### Anadolu Hayat Emeklilik Share Performance in 2010

As of 31 December 2010, Anadolu Hayat Emeklilik's capital amounts to TRY 250,000,000, consisting of fully-paid 25,000,000,000 shares each with a value of TRY 0.01. 17% of the Company's shares are publicly held.

The lowest price per share during the year was TRY 3.86 and the highest was TRY 6.00. The average trading price for the whole year was TRY 4.76. Share price quarterly lows and highs are presented below.

| TRY | Highest | Lowest |
|---|---|---|
| 01.01.2010-31.03.2010 | 4.79 | 4.31 |
| 01.04.2010-30.06.2010 | 4.82 | 3.86 |
| 01.07.2010-30.09.2010 | 5.70 | 4.04 |
| 01.10.2010-31.12.2010 | 6.00 | 5.10 |

# Anadolu Hayat Emeklilik A.Ş.
## Directory

**Anadolu Hayat Emeklilik A.Ş.**
For correpondence: hizmet@anadoluhayat.com.tr

**Head Office**
P.K. 144 Levent-İstanbul

**Customer Relations**
Tel: 444 55 00
Fax : (+90 212) 317 70 77

**İstanbul District Office 1**
Setüstü İnebolu Sokak No: 39 Haktan İş Merkezi
34427 Kabataş-İstanbul
Tel : (+90 212) 244 76 00 pbx
Fax : (+90 212) 243 84 40

**İstanbul District Office 2**
Caferağa Mahallesi Albay Faik Sözdener Cad.
Güran İş Merkezi No: 11/13 Kat: 1
34710 Kadıköy-İstanbul
Tel : (+90 216) 330 94 84 pbx
Fax : (+90 216) 330 92 54

**Customer Relations Center**
Değirmenyolu Caddesi No: 6 C Blok Kat: 6
34752 İçerenköy-Kadıköy-İstanbul
Tel : 444 55 00
Fax : (+90 212) 317 70 77

**Central Anatolian District Office**
Tunus Caddesi No: 46 06680 Kavaklıdere-Ankara
Tel : (+90 312) 468 62 82 pbx
Fax : (+90 312) 468 30 67

**Southern Anatolian District Office**
Kurtuluş Mahallesi, Ziyapaşa Bulvarı,
Tevfik Bey Apartmanı, No: 37/A
01120 Seyhan-Adana
Tel : (+90 322) 458 30 70 pbx
Fax : (+90 322) 458 70 43

**Marmara District Office**
Fomara Meydanı Mantıcı Cad. No: 21 Aytı Plaza Kat: 1
16030 Osmangazi-Bursa
Tel : (+90 224) 223 71 35 / 223 73 57
Fax : (+90 224) 223 75 08

**Aegean District Office**
Atatürk Caddesi No: 92 Kat: 3 35210 Konak-İzmir
Tel : (+90 232) 441 23 43 pbx
Fax : (+90 232) 441 82 92

**TRNC Branch Office**
Şerif Arzık Sokak No: 25 Köşklüçiftlik Lefkoşa-TRNC
Tel : (+90 392) 227 01 27 / 227 04 08-09
Fax : (+90 392) 227 01 26

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ANADOLU HAYAT
EMEKLİLİK

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

**To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi**

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

*Management's Responsibility for the Financial Statements*

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

*Independent Auditors' Responsibility*

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

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

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

*Independent Auditors' Opinion*

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

*Emphasis of Matter*

According to the letter dated 17 May 2010 and numbered B.02.1.HZN.0.10.03.01/24588 sent by Turkish Treasury to the Company, comparative financial information should be started to be included to consolidated financial statements as at 31 March 2011 since first consolidated financial statements are prepared as at 31 March 2010. Accordingly, the accompanying consolidated financial statements not include comparative financial information.

*Other Matter*

The consolidated 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 10 March 2010.

Istanbul, 9 March 2011

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

Filiz Demiröz, Certified Public Accountant

*Partner*

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

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

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Financial Statements
## As At And For The Year Ended 31 December 2010

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

Istanbul, 9 March 2011

Mete Uğurlu
Member of Board
of Directors, Chief
Executive Officer

Oğuz Haluk Solak
Vice Chief Executive
Officer

N. Cem Özcan
Accounting Manager

Hüseyin Yağcı
Statutory
Auditor

Engin Ekşi
Statutory
Auditor

Harun R. Alpözgen
Actuary

# Anadolu Hayat Emeklilik A.Ş.

## Information on Consolidated Associate

Pursuant to the "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" ("Consolidation Circular") issued by the Turkish Treasury in the Official Gazette issue 27097 dated 31 December 2008, insurance, reinsurance and pension companies are obliged to publish consolidated financial statements besides unconsolidated financial statements.

Accordingly, our Company started drawing up consolidated financial statements as of 2010, taking into consideration the financial statements of İş Portföy Yönetimi A,Ş., which is the only associate of the Company, and using the equity method of accounting.

Founded in October 2000 as an associate of İşbank, İş Portföy Yönetimi A.Ş. offers asset management and investment advisory services to institutional investors.

General information on İş Portföy Yönetimi A.Ş. is presented in the table below.

| Associate | Carrying Value | Participation Rate (%) | Period | Profit/Loss for the Period before Tax | Net Profit/Loss for the Period | Standard for Financial Statement | Independent Auditor's Opinion |
|---|---|---|---|---|---|---|---|
| İş Portföy Yönetimi A.Ş. | 10,902,159 | 20 | 31.12.2010 | 13,742,749 | 10,986,068 | CMB XI/29 | Positive |

### UNCONSOLIDATED/CONSOLIDATED SUMMARY FINANCIAL DATA (TRY THOUSAND):

Financial statement items that show a different value due to consolidation are presented below with their unconsolidated and consolidated values.

**Investments in Associates**

| Unconsolidated | Consolidated |
|---|---|
| 5,762 | 10,902 |

**Investment Income**

| Unconsolidated | Consolidated |
|---|---|
| 70,034 | 71,422 |

**Profit before Tax**

| Unconsolidated | Consolidated |
|---|---|
| 86,832 | 88,220 |

**Shareholders' Equity**

| Unconsolidated | Consolidated |
|---|---|
| 450,646 | 455,786 |

**Total Assets**

| Unconsolidated | Consolidated |
|---|---|
| 5,298,991 | 5,304,131 |

# Anadolu Hayat Emeklilik A.Ş.

**CONTENTS**

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| I- Current Assets | Note | Audited Current Period 31 December 2010 |
|---|---|---|
| **A- Cash and Cash Equivalents** | **14** | **129,069,140** |
| 1- Cash | 14 | 17,198 |
| 2- Cheques Received | | - |
| 3- Banks | 14 | 76,694,447 |
| 4- Cheques Given and Payment Orders | 14 | (47,274) |
| 5- Other Cash and Cash Equivalents | 14, 47 | 52,404,769 |
| **B- Financial Assets and Financial Investments with Risks on Policyholders** | **11** | **2,452,962,989** |
| 1- Available-for-Sale Financial Assets | 11 | 377,260,875 |
| 2- Held to Maturity Investments | | - |
| 3- Financial Assets Held for Trading | 11 | 65,860,731 |
| 4- Loans and Receivables | 11 | 297,516 |
| 5- Provision for Loans and Receivables | | - |
| 6- Financial Investments with Risks on Saving Life Policyholders | 11 | 2,016,552,956 |
| 7- Company's Own Equity Shares | | - |
| 8- Diminution in Value of Financial Investments | 11 | (7,009,089) |
| **C- Receivables from Main Operations** | **12** | **2,675,550,930** |
| 1- Receivables from Insurance Operations | 12 | 7,471,182 |
| 2- Provision for Receivables from Insurance Operations | 12 | (2,574) |
| 3- Receivables from Reinsurance Operations | | - |
| 4- Provision for Receivables from Reinsurance Operations | | - |
| 5- Cash Deposited to Insurance and Reinsurance Companies | | - |
| 6- Loans to the Policyholders | 12 | 48,122,482 |
| 7- Provision for Loans to the Policyholders | | - |
| 8- Receivables from Individual Pension Operations | 12 | 2,619,959,840 |
| 9- Doubtful Receivables from Main Operations | 12 | 117,996 |
| 10- Provision for Doubtful Receivables from Main Operations | 12 | (117,996) |
| **D- Due from Related Parties** | **12** | **92,711** |
| 1- Due from Shareholders | | - |
| 2- Due from Associates | | - |
| 3- Due from Subsidiaries | | - |
| 4- Due from Joint Ventures | | - |
| 5- Due from Personnel | 12 | 92,711 |
| 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 | | - |
| **E- Other Receivables** | **12** | **6,323,295** |
| 1- Finance Lease Receivables | | - |
| 2- Unearned Finance Lease Interest Income | | - |
| 3- Deposits and Guarantees Given | | 38,632 |
| 4- Other Miscellaneous Receivables | 47 | 6,284,663 |
| 5- Rediscount on Other Miscellaneous Receivables | | - |
| 6- Other Doubtful Receivables | | - |
| 7- Provision for Other Doubtful Receivables | | - |
| **F- Prepaid Expenses and Income Accruals** | **4.2** | **4,775,386** |
| 1- Prepaid Expenses | | 4,552,267 |
| 2- Accrued Interest and Rent Income | | 208,704 |
| 3- Income Accruals | | 14,415 |
| **G- Other Current Assets** | **4.2** | **625,277** |
| 1- Stocks to be Used in the Following Months | | 44,087 |
| 2- Prepaid Taxes and Funds | | 576,888 |
| 3- Deferred Tax Assets | | - |
| 4- Job Advances | | - |
| 5- Advances Given to Personnel | | 4,300 |
| 6- Inventory Count Differences | | 2 |
| 7- Other Miscellaneous Current Assets | | - |
| 8- Provision for Other Current Assets | | - |
| **I- Total Current Assets** | | **5,269,399,728** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| **II- Non-Current Assets** | **Note** | **Audited Current Period 31 December 2010** |
|---|---|---|
| **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 | | - |
| 10- Provision for Doubtful Receivables from Main Operations | | - |
| **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, 45.d** | **10,902,159** |
| 1- Investments in Equity Shares | | - |
| 2- Investments in Associates | 9, 45.d | 10,902,159 |
| 3- Capital Commitments to Associates | | - |
| 4- Investments in Subsidiaries | | - |
| 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** | **21,415,727** |
| 1- Investment Properties | 6, 7 | 25,873,087 |
| 2- Impairment for Investment Properties | | - |
| 3- Owner Occupied Property | 6 | 1,338,902 |
| 4- Machinery and Equipments | 6 | 3,868,855 |
| 5- Furniture and Fixtures | 6 | 2,369,601 |
| 6- Motor Vehicles | 6 | 797,979 |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 2,023,864 |
| 8- Tangible Assets Acquired Through Finance Leases | 6 | 1,224,180 |
| 9- Accumulated Depreciation | 6 | (16,080,741) |
| 10- Advances Paid for Tangible Assets (Including Construction in Progress) | | - |
| **F- Intangible Assets** | **8** | **2,383,010** |
| 1- Rights | 8 | 6,354,781 |
| 2- Goodwill | | - |
| 3- Pre-operating Expenses | | - |
| 4- Research and Development Costs | | - |
| 6- Other Intangible Assets | | - |
| 7- Accumulated Amortization (-) | 8 | (3,971,771) |
| 8- Advances Paid for Intangible Assets | | - |
| **G- Prepaid Expenses and Income Accruals** | | **30,516** |
| 1- Prepaid Expenses | | 30,516 |
| 2- Income Accruals | | - |
| 3- Other Prepaid Expenses and Income Accruals | | - |
| **H- Other Non-Current Assets** | 21 | - |
| 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 | - |
| 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** | | **34,731,412** |
| **TOTAL ASSETS** | | **5,304,131,140** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| III- Short-Term Liabilities | Note | Audited Current Period 31 December 2010 |
|---|---|---|
| **A- Financial Liabilities** | | **-** |
| 1- Borrowings from Financial Institutions | | - |
| 2- Finance Lease Liabilities | 43 | - |
| 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** | **2,674,173,962** |
| 1- Payables Arising from Insurance Operations | 19 | 2,751,562 |
| 2- Payables Arising from Reinsurance Operations | | - |
| 3- Cash Deposited by Insurance and Reinsurance Companies | 19, 10 | 543,884 |
| 4- Payables Arising from Individual Pension Business | 19 | 2,670,878,516 |
| 5- Payables Arising from Other Main Operations | | - |
| 6- Discount on Payables from Other Main Operations | | - |
| **C- Due to Related Parties** | **19** | **4,085** |
| 1- Due to Shareholders | 19 | 2,674 |
| 2- Due to Associates | | - |
| 3- Due to Subsidiaries | | - |
| 4- Due to Joint Ventures | | - |
| 5- Due to Personnel | | - |
| 6- Due to Other Related Parties | 19 | 1,411 |
| **D- Other Payables** | **19** | **6,022,753** |
| 1- Deposits and Guarantees Received | 19 | 201,082 |
| 2- Other Miscellaneous Payables | 19,47 | 5,821,671 |
| 3- Discount on Other Miscellaneous Payables | | - |
| **E- Insurance Technical Provisions** | **17** | **2,155,205,866** |
| 1- Reserve for Unearned Premiums - Net | 17 | 8,081,645 |
| 2- Reserve for Unexpired Risks - Net | | - |
| 3- Life Mathematical Provisions - Net | 17 | 2,090,760,148 |
| 4- Provision for Outstanding Claims - Net | 17 | 55,143,756 |
| 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 | 17 | 1,220,317 |
| **F- Provisions for Taxes and Other Similar Obligations** | | **5,473,472** |
| 1- Taxes and Funds Payable | | 4,526,412 |
| 2- Social Security Premiums Payable | | 638,326 |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities | | - |
| 4- Other Taxes and Similar Payables | | 12,734 |
| 5- Corporate Tax Payable | 35 | 15,435,000 |
| 6- Prepaid Taxes and Other Liabilities Regarding Current Year Income | 35 | (15,139,000) |
| 7- Provisions for Other Taxes and Similar Liabilities | | - |
| **G- Provisions for Other Risks** | **23** | **1,150,708** |
| 1- Provision for Employee Termination Benefits | | - |
| 2- Provision for Pension Fund Deficits | | - |
| 3- Provisions for Costs | 23 | 1,150,708 |
| **H- Deferred Income and Expense Accruals** | **19** | **1,332,794** |
| 1- Deferred Income | 19 | 1,160,520 |
| 2- Expense Accruals | 19 | 172,274 |
| 3- Other Deferred Income and Expense Accruals | | - |
| **I- Other Short-Term Liabilities** | | **54** |
| 1- Deferred Tax Liabilities | | - |
| 2- Inventory Count Differences | | 54 |
| 3- Other Various Short-Term Liabilities | | - |
| **III – Total Short-Term Liabilities** | | **4,843,363,694** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| **IV- Long-Term Liabilities** | **Note** | **Audited Current Period 31 December 2010** |
|---|---|---|
| **A- Financial Liabilities** | | - |
| 1- Borrowings from Financial Institutions | | - |
| 2- Finance Lease Liabilities | | - |
| 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 Main Operations** | | - |
| 1- Payables Arising from Insurance Operations | | - |
| 2- Payables Arising from Reinsurance Operations | | - |
| 3- Cash Deposited by Insurance and Reinsurance Companies | | - |
| 4- Payables Arising from Individual Pension Business | | - |
| 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** | | - |
| 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 | | - |
| **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** | **22, 23** | **3,566,916** |
| 1- Provision for Employee Termination Benefits | 22, 23 | 3,566,916 |
| 2- Provision for Pension Fund Deficits | | - |
| **H-Deferred Income and Expense Accruals** | | - |
| 1- Deferred Income | | - |
| 2- Expense Accruals | | - |
| 3- Other Deferred Income and Expense Accruals | | - |
| **I- Other Long-Term Liabilities** | | **1,414,610** |
| 1- Deferred Tax Liabilities | 21 | 1,414,610 |
| 2- Other Long-Term Liabilities | | - |
| **IV- Total Long-Term Liabilities** | | **4,981,526** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TRY))

| **V- Equity** | **Note** | **Audited Current Period 31 December 2010** |
|---|---|---|
| **A- Paid in Capital** | **2.13, 15** | **250,000,000** |
| 1- (Nominal) Capital | 2.13, 15 | 250,000,000 |
| 2- Unpaid Capital | | - |
| 3- Positive Capital Restatement Differences | | - |
| 4- Negative Capital Restatement Differences | | - |
| **B- Capital Reserves** | | **-** |
| 1- Share Premiums | | - |
| 2- Cancellation Profits of Equity Shares | | - |
| 3- Profit on Sale Assets That Will Be Transferred to Capital | | - |
| 4- Currency Translation Adjustments | | - |
| 5- Other Capital Reserves | | - |
| **C- Profit Reserves** | | **124,712,869** |
| 1- Legal Reserves | 15 | 53,804,048 |
| 2- Statutory Reserves | 15 | 23,652,466 |
| 3- Extraordinary Reserves | 15 | 13,367,976 |
| 4- Special Funds | | - |
| 5- Revaluation of Financial Assets | 15, 16 | 33,888,379 |
| 6- Other Profit Reserves | | - |
| **D- Retained Earnings** | | **8,287,838** |
| 1- Retained Earnings | | 8,287,838 |
| **E- Accumulated Losses** | | **-** |
| 1- Accumulated Losses | | - |
| **F-Net Profit/(Loss) for the Year** | | **72,785,213** |
| 1- Net Profit for the Year | | 72,744,608 |
| 2- Net Loss for the Year | | - |
| 3- Profit not Available for Distribution | | 40,605 |
| **V- Total Equity** | | **455,785,920** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,304,131,140** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Income For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| **I-TECHNICAL SECTION** | **Note** | **Audited Current Period 31 December 2010** |
|---|---|---|
| **A- Non-Life Technical Income** | **5** | **171,844** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 171,844 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 24 | 164,340 |
| 1.1.1- Written Premiums, gross | | 258,261 |
| 1.1.2- Written Premiums, ceded | 10 | (93,921) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | | 7,504 |
| 1.2.1- Reserve for Unearned Premiums, gross | | 19,970 |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10 | (12,466) |
| 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 - Transferred from Non-Technical Section | | - |
| 3- Other Technical Income (Net of Reinsurer Share) | | - |
| 3.1- Other Technical Income, gross | | - |
| 3.2- Other Technical Income, ceded | | - |
| **B- Non-Life Technical Expense** | **5** | **(397,551)** |
| 1- Incurred Losses (Net of Reinsurer Share) | | (161,567) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (134,061) |
| 1.1.1- Claims Paid, gross | | (4,091,139) |
| 1.1.2- Claims Paid, ceded | 10 | 3,957,078 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | | (27,506) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | | 77,783 |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 10 | (105,289) |
| 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) | | (4,950) |
| 4- Operating Expenses | 32 | (231,034) |
| **C- Net Technical Income-Non-Life (A – B)** | | **(225,707)** |
| **D- Life Technical Income** | **5** | **551,195,278** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 348,064,197 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 24 | 350,122,861 |
| 1.1.1- Written Premiums, gross | | 357,352,064 |
| 1.1.2- Written Premiums, ceded | 10 | (7,229,203) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | | (2,058,664) |
| 1.2.1- Reserve for Unearned Premiums, gross | | (2,152,102) |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10 | 93,438 |
| 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 | 26 | 195,491,688 |
| 3- Unrealized Gains on Investments | | - |
| 4- Other Technical Income (Net of Reinsurer Share) | | 7,639,393 |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Income For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| I-TECHNICAL SECTION | Note | Audited Current Period 31 December 2010 |
|---|---|---|
| **E- Life Technical Expense** | **5** | **(537,249,963)** |
| 1- Incurred Losses (Net of Reinsurer Share) | | (409,280,143) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (400,733,338) |
| 1.1.1- Claims Paid, gross | | (401,626,730) |
| 1.1.2- Claims Paid, ceded | 10 | 893,392 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | | (8,546,805) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | | (8,604,406) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 10 | 57,601 |
| 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) | | (73,471,133) |
| 3.1- Change in Life Mathematical Provisions, gross | | (75,525,566) |
| 3.2- Change in Life Mathematical Provisions, ceded | 10 | 2,054,433 |
| 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) | | (832,119) |
| 6- Operating Expenses | 32 | (53,666,568) |
| 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)** | | **13,945,315** |
| **G- Pension Business Technical Income** | **5, 25** | **95,156,430** |
| 1- Fund Management Income | 25 | 55,617,732 |
| 2- Management Fee | 25 | 23,501,810 |
| 3- Entrance Fee Income | 25 | 15,711,175 |
| 4- Management Expense Charge in case of Suspension | 25 | 231,133 |
| 5- Income from Individual Service Charges | | - |
| 6- Increase in Value of Capital Allowances Given as Advance | 25 | 324 |
| 7- Other Technical Expense | 25 | 94,256 |
| **H- Pension Business Technical Expense** | **5** | **(82,036,396)** |
| 1- Fund Management Expense | | (11,383,014) |
| 2- Decrease in Value of Capital Allowances Given as Advance | | - |
| 3- Operating Expenses | 32 | (69,802,560) |
| 4- Other Technical Expenses | | (850,822) |
| **I- Net Technical Income - Pension Business (G – H)** | | **13,120,034** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Income For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| **II-NON-TECHNICAL SECTION** | **Note** | **Audited Current Period 31 December 2010** |
|---|---|---|
| **C- Net Technical Income – Non-Life (A-B)** | | **(225,707)** |
| **F- Net Technical Income – Life (D-E)** | | **13,945,315** |
| **I - Net Technical Income – Pension Business (G-H)** | | **13,120,034** |
| **J- Total Net Technical Income (C+F+I)** | | **26,839,642** |
| **K- Investment Income** | **26** | **71,422,376** |
| 1- Income from Financial Assets | | 20,911,336 |
| 2- Income from Disposal of Financial Assets | | 18,712,905 |
| 3- Valuation of Financial Assets | | 17,052,876 |
| 4- Foreign Exchange Gains | 36 | 994,669 |
| 5- Income from Associates | 26 | 2,197,214 |
| 6- Income from Subsidiaries and Joint Ventures | | - |
| 7- Income from Property, Plant and Equipment | 7, 26 | 2,335,332 |
| 8- Income from Derivative Transactions | | 1,550,944 |
| 9- Other Investments | | 7,667,100 |
| 10- Income Transferred from Life Section | | - |
| **L- Investment Expense** | | **(7,901,375)** |
| 1- Investment Management Expenses (inc. interest) | | (2,174,929) |
| 2- Diminution in Value of Investments | | (2,700) |
| 3- Loss from Disposal of Financial Assets | | (2,119,211) |
| 4- Investment Income Transferred to Non-Life Technical Section | | - |
| 5- Loss from Derivative Transactions | | - |
| 6- Foreign Exchange Losses | 36 | (856,035) |
| 7- Depreciation and Amortization Expenses | 6, 8 | (2,748,500) |
| 8- Other Investment Expenses | | - |
| **M- Income and Expenses From Other and Extraordinary Operation** | | **(2,140,430)** |
| 1- Provisions | 47 | 200,539 |
| 2- Rediscounts | | - |
| 3- Specified Insurance Accounts | | - |
| 4- Monetary Gains and Losses | | - |
| 5- Deferred Taxation (Deferred Tax Assets) | 21 | - |
| 6- Deferred Taxation (Deferred Tax Liabilities) | 21 | (1,946,014) |
| 7- Other Income | | 4,019 |
| 8- Other Expenses and Losses | | (398,974) |
| 9- Prior Year's Income | | - |
| 10- Prior Year's Expenses and Losses | | - |
| **N- Net Profit for the Year** | **37** | **72,785,213** |
| 1- Profit for the Year | | 88,220,213 |
| 2- Corporate Tax Provision and Other Fiscal Liabilities | 35 | (15,435,000) |
| 3- Net Profit for the Year | 37 | 72,785,213 |
| 4- Monetary Gains and Losses | | **-** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

**Audited Changes in Equity – 31 December 2010**

| | Note | Paid-in Capital | Own Shares of the Company | Revaluation of Financial Assets | Inflation Adjustments |
|---|---|---|---|---|---|
| **I - Balance at the end of the previous year – 31 December 2009** | | **250,000,000** | **-** | **27,685,918** | **-** |
| **II – Change in Accounting Standards** | | - | - | - | - |
| **III – Restated balances (I+II) – 1 January 2010** | | **250,000,000** | **-** | **27,685,918** | **-** |
| 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 | | - | - | - | - |
| D- Change in the value of financial assets | 15 | - | - | 6,202,461 | - |
| E- Currency translation adjustments | | - | - | - | - |
| F- Other gains or losses | | - | - | - | - |
| G- Inflation adjustment differences | | - | - | - | - |
| H- Net profit for the year | | - | - | - | - |
| I – Dividends paid | | - | - | - | - |
| J- Other reserves and transfers from retained earnings | 15 | - | - | - | - |
| **IV - Balance at the end of the year – 31 December 2010** | | **250,000,000** | - | **33,888,379** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Changes in Equity For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| Currency Translation Adjustments | Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit for the Year | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **-** | **45,557,059** | **17,783,838** | **4,821,283** | **79,764,868** | **8,000,320** | **433,613,286** |
| - | - | - | - | - | - | - |
| **-** | **45,557,059** | **17,783,838** | **4,821,283** | **79,764,868** | **8,000,320** | **433,613,286** |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 6,202,461 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 72,785,213 | - | 72,785,213 |
| - | - | - | - | (56,815,040) | - | (56,815,040) |
| - | 8,246,989 | 5,868,628 | 8,546,693 | (22,949,828) | 287,518 | - |
| **-** | **53,804,048** | **23,652,466** | **13,367,976** | **72,785,213** | **8,287,838** | **455,785,920** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Cash Flows For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| | Note | Audited Current Period 31 December 2010 |
|---|---|---|
| **A. Cash flows from operating activities** | | |
| 1. Cash provided from insurance activities | | 574,302,308 |
| 2. Cash provided from reinsurance activities | | 130,536 |
| 3. Cash provided from individual pension business | | 93,237,766 |
| 4. Cash used in insurance activities | | (454,639,558) |
| 5. Cash used in reinsurance activities | | - |
| 6. Cash used in individual pension business | | (67,586,799) |
| **7. Cash provided by operating activities** | | **145,444,253** |
| 8. Interest paid | | - |
| 9. Income taxes paid | | (17,268,730) |
| 10. Other cash inflows | | 6,940,845 |
| 11. Other cash outflows | | (58,558,802) |
| **12. Net cash provided by operating activities** | | **76,557,566** |
| **B. Cash flows from investing activities** | | |
| 1. Proceeds from disposal of tangible assets | | 45,959 |
| 2. Acquisition of tangible assets | 6 | (1,233,701) |
| 3. Acquisition of financial assets | | (105,212,389) |
| 4. Proceeds from disposal of financial assets | | - |
| 5. Interests received | | 89,041,805 |
| 6. Dividends received | | - |
| 7. Other cash inflows | | 13,030,210 |
| 8. Other cash outflows | | (4,049,002) |
| **9. Net cash provided by investing activities** | | **(8,377,118)** |
| **C. Cash flows from financing activities** | | |
| 1. Equity shares issued | | - |
| 2. Cash provided from loans and borrowings | | - |
| 3. Finance lease payments | | - |
| 4. Dividends paid | | (56,815,040) |
| 5. Other cash inflows | | - |
| 6. Other cash outflows | | - |
| **7. Net cash provided by financing activities** | | **(56,815,040)** |
| **D. Effect of exchange rate fluctuations on cash and cash equivalents** | | - |
| **E. Net increase in cash and cash equivalents** | | **11,365,408** |
| **F. Cash and cash equivalents at the beginning of the year** | **14** | 117,186,128 |
| **G. Cash and cash equivalents at the end of the year** | **14** | **128,551,536** |

# Anadolu Hayat Emeklilik A.Ş.

## Consolidated Statement of Profit Distribution For the Year Ended 31 December 2010

(Currency: Turkish Lira (TRY))

| | Note | Current Period 31 December 2010 (**) |
|---|---|---|
| **I. DISTRIBUTION OF THE CURRENT YEAR PROFIT** | | |
| 1.1. CURRENT PERIOD PROFIT (*) | | 88,179,608 |
| 1.2. TAXES AND DUTIES PAYABLE | | (15,435,000) |
| 1.2.1. Corporate Tax (Income Tax) | | (15,435,000) |
| 1.2.2. Income Tax Deductions | | - |
| 1.2.3. Other Taxes and Legal Duties | | - |
| **A. CURRENT PERIOD PROFIT (1.1 – 1.2)** | | **72,744,608** |
| 1.3. ACCUMULATED LOSSES (-) | | - |
| 1.4. FIRST LEGAL RESERVES (-) | | (3.567.836) |
| 1.5. OTHER STATUTORY RESERVES (-) | | - |
| **B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]** | | **69.176.772** |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | | - |
| 1.6.1. To owners of ordinary shares | | - |
| 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 (-) | | - |
| 1.8. DIVIDENDS TO FOUNDERS (-) | | - |
| 1.9. DIVIDENDS TO BOARD OF DIRECTORS (-) | | - |
| 1.10. SECOND DIVIDEND TO SHAREHOLDERS (-) | | - |
| 1.10.1. To owners of ordinary shares | | - |
| 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 (-) | | - |
| 1.12. STATUTORY RESERVES (-) | | - |
| 1.13. EXTRAORDINARY RESERVES | | - |
| 1.14 OTHER RESERVES | | - |
| 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 | | 0,29098 |
| 3.2. TO OWNERS OF ORDINARY SHARES (%) | | 29,098 |
| 3.3. TO OWNERS OF PRIVILEGED SHARES | | 0,29098 |
| 3.4. TO OWNERS OF PRIVILEGED SHARES (%) | | 29,098 |
| **IV. DIVIDEND PER SHARE** | | |
| 4.1. TO OWNERS OF ORDINARY SHARES | | - |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | | - |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | | - |
| 4.4. TO OWNERS OF PRIVILEGED SHARES (%) | | - |

(*) Consolidated current year profit is used for profit distribution as per the regulation announced by the Capital Market Board weekly bulletin numbered 2010/4. 75% of the gain on sale of investments in equity amounting to TRY 40,605 to be transferred to the share capital is not taken into consideration for the year ended 31 December 2010 per Corporate Tax Law article 5 and recorded as “Profit not Available for Distribution” under equity.

(**) As of the report date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the profit distribution table above.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 1. General information

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

Anadolu Hayat Emeklilik Anonim Şirketi ("the Company") has been operating since 31 May 1990 and the shareholding structure of the Company is presented below. As 31 December 2010, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası A.Ş. ("İş Bankası") by 83.0% of the outstanding shares of the Company.

| Name | 31 December 2010<br>Shareholding amount (TRY) | <br>Shareholding rate (%) |
|---|---|---|
| Türkiye İş Bankası A.Ş. | | |
| Anadolu Anonim Türk Sigorta Şirketi | 155,000,000 | 62.0 |
| Milli Reasürans T.A.Ş. | 50,000,000 | 20.0 |
| Fortis Bank A.Ş. | 2,500,000 | 1.0 |
| Publicly traded | 42,500,000 | 17.0 |
| **Paid in capital** | **250,000,000** | **100.0** |

#### 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 and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code ("TTK"). The address of the Company's registered office is İş Kuleleri Kule 2 Kat: 20, 34330, 4. Levent, İstanbul.

#### 1.3 Business of the Company

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

As of 31 December 2010, the Company has 19 individual pension investment funds.

#### 1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 – *Business of the Company* and contracts in individual pension business by conducting it operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued on 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No.4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Prime Ministry Undersecretariat of the Treasury of the Turkish Republic (the "Turkish Treasury") based on the Insurance Law and the Individual Pension Law.

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

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

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

| | 31 December 2010 |
|---|---|
| Senior level managers | 6 |
| Directors | 79 |
| Officers | 255 |
| Contracted personnel | 6 |
| Marketing and sales personnel | 287 |
| Other | 20 |
| **Total** | **653** |

#### 1.6 Wages and similar benefits provided to the senior management

As at and for year ended 31 December 2010, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, CEO, and deputy chief executive officers amounted to TRY 3,063,845.

#### 1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) 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.

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

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In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury. Known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments, other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the average number of policies and contracts issued within last 3 years. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing “number of the policies produced within the last three years”, “gross premiums written within the last three years”, and “number of the claims reported within the last three years” to the “total number of the policies”, “total gross written premiums”, and the “total number of the claims reported”, respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

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

As at balance sheet date, distribution of the operating expense between life, non-life and pension branches is presented in note 5 – *Segment distribution*.

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

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

The Company owns 20% of İş Portföy Yönetimi A.Ş. (“İş Portföy”) and this associate has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

İş Portföy was registered with the İstanbul Trade Registry on 23 September 2000 and its foundation was published in the Turkish Trade Registry Gazette number 5168 on 6 November 2000. İş Portföy deals with capital market activities in accordance with its Articles of Association and Capital Market Law number 2499 as modified by Law number 3794. İş Portföy manages portfolios, which are made up of the capital market instruments according to the rules of the related regulations and the Capital Market Law by entering into portfolio management agreements with its clients. Additionally, İş Portföy manages domestic and foreign funds, the portfolios of the investment partnerships, the portfolios of the domestic and foreign real or judicial persons, the portfolios of the investment companies and similar entities. In addition, the İş Portföy provides investment consultancy services.

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

| | |
|---|---|
| Trade name of the Company | : Anadolu Hayat Emeklilik Anonim Şirketi |
| Registered address of the head office | : İş Kuleleri Kule 2 Kat 20 34330 |
| | Levent/İstanbul |
| The web page of the Company | : anadoluhayat.com.tr |
| E-mail address of the Company | : hizmet@anadoluhayat.com.tr |
| Phone | : 0212 317 70 70 |
| Fax | : 0212 317 70 77 |

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

### 1.10 Subsequent Events

According to 13th article 7th subclause paragraph A of “Circular Related to the Insurance Services (Framework and Audit) Law of the Turkish Republic of Northern Cyprus” is published in the Official Gazette of the Turkish Republic of Northern Cyprus dated 31 December 2010 and numbered 221, minimum paid-in-capital for insurance companies operating in life branch should be TRY 4,000,000. In accordance with the temporary 2nd Article of the aforementioned law, the insurance and reinsurance companies established or had the pre-permission before the issuance of the aforementioned law may comply with the minimum required paid-in-capital within four years by making payments in each January. The payments cannot be below one fourth of the required capital. Paid-in-capital of the Company’s branch operating in the Turkish Republic of Northern Cyprus increased to TRY 1,000,000 as at 28 January 2011 to comply with the aforementioned law.

### 2. Significant accounting policies

### 2.1 Basis of preparation

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

In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company 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 consolidated 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.

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

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

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury, it is stated that although, insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements,* subsidiaries, associates and joint-ventures could be accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of TAS 27 – *Consolidated and Separate Financial Statements.* "Circular Related to the Presentation of Financial Statements", issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette, regulates the content of the financial statements to make them comparable with the financial statements of previous periods and the other companies.

**Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

### 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 balance sheet date, and that corresponding figures for previous years be restated in the same terms.

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2010, 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 costs or values.

**Other accounting policies**

Information regarding to other accounting polices is explained above in the section of note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

### 2.1.3 Functional and presentation currency

The Company's consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in TRY, which is the functional and presentation currency of the Company.

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

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

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

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

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

There have been no changes in the accounting policies or errors in the current year.

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

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

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### 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 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi A.Ş.

According to the letter dated 17 May 2010 and numbered B.02.1.HZN.0.10.03.01/24588 sent by Turkish Treasury to the Company, comparative financial information should be started to be included to consolidated financial statements as at 31 March 2011 since first consolidated financial statements are prepared as at 31 March 2010. Accordingly, the accompanying consolidated financial statements not include comparative financial information.

### 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.

### 2.4 Foreign currency transactions

Transactions are recorded in TRY, 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 exchange rates ruling at the balance sheet date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

### 2.5 Tangible assets

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

| Tangible assets | Estimated useful lives (years) | Depreciation rates (%) |
|---|---|---|
| Buildings | 50 years | 2.00 |
| Machinery and equipment | 3-16 years | 6.25-33.33 |
| Fixtures and furniture | 4-13 years | 7.69-25.00 |
| Vehicles | 5 years | 20.00 |
| Other tangible assets (includes leasehold improvements) | 5 years | 20.00 |
| Leased assets | 4-15 years | 6.66-25.00 |

### 2.6 Investment properties

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 property 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.

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### 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 years) over the cost of the asset.

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

### 2.8 Financial assets

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

*Associates;* İş Portföy has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

### Specific instruments

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortized costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions – life mathematical provisions'. As at 31 December 2010, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounting to TRY 112,598, is recorded in life mathematical provisions.

*Receivables from individual pension operations* consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses.

### Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

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### 2.9 Impairment on assets

#### Impairment on financial assets

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

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 balance sheet 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*.

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 consolidated financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As at 31 December 2010, the Company's issued capital is TRY 250,000,000.

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

None.

#### Privileges on common shares representing share capital

As at 31 December 2010, the issued share capital of the Company is TRY 250,000,000 and the share capital of the Company consists of 25,000,000,000 issued shares with TRY 0.01 nominal value each. The Company's share capital is divided into group A and group B shares. The share capital is represented by 100,000,000 Group A shares of TRY 0.01 each and Group B shares of the remaining amount. Among nine members of the Board of Directors, six are elected among candidates nominated by Group A shareholders while three are elected among candidates nominated by Group B shareholders.

#### Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of 31 December 2010, the Company's registered capital is TRY 300,000,000.

#### Repurchased own shares by the Company

None.

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

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### 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 mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

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

*(i)* that are likely to comprise a significant portion of the total contractual benefits,

*(ii)* whose amount or timing is contractually at the discretion of the Issuer; and

*(iii)* that are contractually based on:

*(1)* the performance of a specified pool of contracts or a specified type of contract;

*(2)* realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or

*(3)* the profit or loss of the Company, Fund or other entity that issues the contract.

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

### 2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

### 2.17 Liabilities

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

*Payables from individual pension business* consist of payables to participants, participants’ temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants’ fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants’ own accounts. This account means Company’s liabilities to individual pension agencies in return of their services.

### 2.18 Income taxes

#### Corporate tax

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

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

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

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

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

**Deferred tax**

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

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

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

**Transfer pricing**

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

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

### 2.19 Employee benefits

**Employee termination benefits**

In accordance with existing Turkish Labor 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 TRY 2,517.01.

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 is as follows:

| | 31 December 2010 |
|---|---|
| Discount rate | 4.66% |
| Expected rate of salary/limit increase | 4.80% |
| Estimated employee turnover rate | 4.23% |

**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 consolidated 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 balance sheet date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the footnotes to the financial statements.

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

Written premiums represent premiums on policies written during the year net of taxes, premiums of the cancelled policies which were produced in prior years and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the profit or loss statement.

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

**Commission income and expense**

As further disclosed in *Note 2.24*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by 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.

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In order to net-off the receivable accounts in compliance with the matching principle, The Company reserves a provision of commissions to intermediaries over the accrued but uncollected receivables from policyholders balance as of balance sheet date. While the commissions to intermediaries for non-life branches are not accrued, the commission amount that has to be paid in case of the collection of receivables is calculated on the basis of policy for life branch.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Turkish Treasury on 28 December 2007, starting from 10 January 2008, deferred reinsurance commissions are presented in “Deferred Income” account in the balance sheet.

**Interest income and expense**

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

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

**Trading income/expense**

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

**Dividends**

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

**Income from individual pension operations**

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as “Fund management income” under technical income and portion of the portfolio manager is recognized as “Fund management expense” under technical expenses.

Management fee is levied on contributions of the participants up to 8% and recognized as income.

Entrance fees are received by the Company from participants during the entrance into the system and for the opening of a new individual pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract. In the outstanding individual pension contracts of the Company, significant portion of the entrance fees is deferred to the end of the contract. The deferred and contingent entrance fees are recorded into income statement.

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as “increase in value of capital allowances given as advances”.

### 2.22 Leasing transactions

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

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

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

### 2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash.

Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recorded as liability in the financial statements when they are announced.

### 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 balance sheet date for all short- term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

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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.

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (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.

The test is performed on branch basis and in case where the 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. As at 31 December 2010, related test have not resulted any deficiency in the premiums of the Company.

### 2.26 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 balance sheet date as well as the corresponding handling costs.

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655.

Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current balance sheet date, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before balance sheet date. Accordingly, as at the balance sheet date, the Company has provided for IBNR, net off ceded amounting to TRY 3,218,627.

According to the 7$^{th}$ article 6$^{th}$ subclause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. According to the Communiqué numbered 2010/12; the difference between the result of the actuarial chain ladder method and reported but not settled claims are accepted as IBNR claims. As at 31 December 2010, the result of the actuarial chain ladder method is more than reported but not settled claims for personal accident branch. Therefore, the Company recorded IBNR as the difference the actuarial chain ladder method and reported but not settled claims for personal accident branch. According to the Communiqué, last five or more than five years' weighted average calculated by dividing total amount of incurred but not reported claims after deducting salvage and subrogation related to these files to premium production of the related years is considered in the calculation of IBNR. As of the current balance sheet date, IBNR is recorded as 80% of the result obtained by multiplying weighted average IBNR ratio by the premium production of last 12 months before balance sheet date. Accordingly, as at the balance sheet date, the Company has provided for IBNR, net off ceded amounting to TRY 34,885.

In accordance with the Communiqué on Technical Reserves, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each fiscal year. In case where the adequacy ratio of provision of outstanding claims, measured by considering the preceding five years' weighted average (excluding current year) as computed under the principles promulgated by the Turkish Treasury, is less than 95%, the amount calculated by multiplying current provision for outstanding claims with the difference between adequacy ratio of provision of outstanding claims and 95% is added to provision for outstanding claims. This test is performed on a branch basis. In the preparation of adequacy tables and the calculation of provision for outstanding claims, all provisions for reported but not settled claims, IBNR claims and claim handling costs are taken into consideration. As at 31 December 2010, this adequacy test has not resulted in additional provision for outstanding claims.

### 2.27 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. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 – *Financial assets* above.

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### 2.28 Equalization provision

According to "Communiqué on Technical Reserves", companies should book equalization provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognize equalization provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on 28 July 2010 and numbered 27655 "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the calculation of equalization provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalization provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalization provisions amounting to TRY 1,220,317 are presented under "other technical reserves" within short-term liabilities in the accompanying consolidated financial statements.

### 2.29 Related parties

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

### 2.30 Earnings per share

Earnings per share 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. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

### 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 consolidated 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 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.

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### 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* – *Reserve for unexpired risks*

*Note 2.26* – *Provision for outstanding claims*

*Note 2.27* – *Mathematical provisions*

*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 associates*

*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 contracts and policies used to minimize such risks:**

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non coverage of the claims paid by the premiums collected.

As of 31 December 2010, the Company's life insurance claims/premiums ratio stands at 27%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyzes its claims/premiums ratio periodically in order to identify its insurance risks.

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As of 31 December 2010, the Company's personal accident insurance claims/premiums ratio is 44%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement years is presented below:

| | 31 December 2010 |
|---|---|
| Life Insurance | 27% |
| Personal Accident | 44% |

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

As of 31 December 2010, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

| | 31 December 2010 |
|---|---|
| Death by natural cause | 6% |
| Death by accident | 32% |
| Disability by accident | 46% |
| Disability by illness | 41% |

**Sensitivity to insurance risk**

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. As a result of these agreements, if the Company's "death by natural cause" risk account exceeds TRY 110,000 or "death by accident" risk account exceeds TRY 240,000 in its individual life branch in 2010, the Company transfers the exceeding claim payments to reinsurers. The Company also transfers the exceeding claim payments to reinsurers if the Company's "death by natural cause" risk account exceeds TRY 210,000 or "death by accident" risk account exceeds TRY 340,000 for its group life policies.

Outstanding claims are reviewed and updated periodically by the experts of the Company's Claims Department.

**Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)**

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

| | 31 December 2010 | | |
|---|---|---|---|
| **Branches** | **Total gross risk liability (*)** | **Reinsurer's share of risk liability** | **The company's net claims liability** |
| Life insurance | 27,027,457,484 | 4,337,019,192 | 22,690,438,292 |
| Personal accident | 1,596,369,826 | 862,215,619 | 734,154,207 |
| **Total** | **28,623,827,310** | **5,199,234,811** | **23,424,592,499** |

(*) Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

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The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarized as below:

| | 31 December 2010 | | |
|---|---|---|---|
| **Claims liability total (*)** | **Total gross claims liability** | **Reinsurer's share of claims liability** | **Total net claims liability** |
| Marmara Region | 19,805,929 | 447,179 | **19,358,750** |
| Central Anatolian Region | 8,991,413 | - | **8,991,413** |
| Aegean Region | 6,855,567 | 775 | **6,854,792** |
| Mediterranean Region | 5,551,195 | 1,289 | **5,549,906** |
| Black Sea Region | 3,981,817 | 226 | **3,981,591** |
| South East Anatolian Region | 2,324,141 | 278 | **2,323,863** |
| East Anatolian Region | 2,099,911 | - | **2,099,911** |
| Foreign countries (other) | 2,730,018 | - | **2,730,018** |
| **Total** | **52,339,991** | **449,747** | **51,890,244** |

(*) Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation

**Comparison of incurred claims with past estimations**

Outstanding claims reserve adequacy table in terms of branches as at 31 December 2009 is presented below. The table shows outstanding claims reserve adequacy rate which is the proportion of total outstanding claims reserve that the Company provided in the last 5 years to total compensation amount actually paid including all expenses related to the claims. When the arithmetical average of the last 5 years of the separately calculated outstanding claims reserve adequacy rate, excluding the current financial year, is below 95%, the amount of adequacy rate difference is calculated by multiplying the difference between the related rate and 95% by the current year's outstanding claims reserve.

| Outstanding claims adequacy rates | Rate |
|---|---|
| ***Life:*** | |
| Accrued | 376.0% |
| Incurred but not reported | 97.0% |
| ***Personal accident:*** | |
| Accrued | 21,633.0% |
| Incurred but not reported | 76.0% |

As at 31 December 2010, there is not any deficiency in the outstanding claims reserve of the Company. Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets.*

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

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

**4.2 Financial risk management**

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's risk management program focuses on minimizing the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

*Reinsurers:* Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

*Agencies:* Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

*Policyholders:* Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

As at 31 December 2010, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

| | Receivables (*) | | | | | |
|---|---|---|---|---|---|---|
| | Receivables from insurance activities | | Other receivables | | | Banks and other cash and cash equivalent assets |
| **31 December 2010** | **Related party** | **Third party** | **Related party** | **Third party** | **Financial assets** | |
| **Maximum credit risk exposure as at the reporting date (A+B+C)** | - | **55,591,090** | **92,711** | **6,323,295** | **2,342,115,384** | **129,116,414** |
| - Secured portion of maximum risk by guarantees, provisions, etc. | - | - | - | - | - | - |
| A. Net book value of neither past due nor impaired financial assets | - | 50,123,480 | 92,711 | 6,323,295 | 2,342,115,384 | 129,116,414 |
| B. Net book value of past due but not impaired assets | - | 5,467,610 | - | - | - | |
| C. Net book value of impaired assets | - | - | - | - | - | - |
| - Gross book value | - | 120,570 | - | - | - | - |
| - Impairment | - | (120,570) | - | - | - | - |
| - Secured portion of net book value by guarantees, provisions, etc. | - | - | - | - | - | - |

(*) Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by IMKB Takas ve Saklama Bankası A.Ş. (the "ISE Settlement and Custody Bank").

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As of 31 December 2010, maturity analyses of the Company's assets and liabilities are presented in the table below:

| 31 December 2010 | Without maturity | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 56,293,177 | 72,775,963 | - | - | - | - | - | 129,069,140 |
| Financial assets and investments with risks on policyholders | - | 297,516 | 193,473,558 | 60,498,910 | 649,422,758 | 1,405,982,591 | 143,287,656 | 2,452,962,989 |
| Receivables from main operations | - | 274,316 | 462,567 | 1,264,115 | - | - | 2,673,549,932 | 2,675,550,930 |
| Due from related parties | - | - | 92,711 | - | - | - | - | 92,711 |
| Other receivables | - | 5,693,029 | - | - | - | - | 630,266 | 6,323,295 |
| Prepaid expenses and income accruals, short term | - | 32,376 | 64,752 | 291,384 | - | - | 4,386,874 | 4,775,386 |
| Other current assets | - | - | - | - | - | - | 625,277 | 625,277 |
| Financial assets (Associates) | - | - | - | - | - | - | 10,902,159 | 10,902,159 |
| Tangible assets | - | - | - | - | - | - | 21,415,727 | 21,415,727 |
| Intangible assets | - | - | - | - | - | - | 2,383,010 | 2,383,010 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | - | 30,516 | 30,516 |
| Deferred tax assets | - | - | - | - | - | - | - | - |
| **Total assets** | **56,293,177** | **79,073,200** | **194,093,588** | **62,054,409** | **649,422,758** | **1,405,982,591** | **2,857,211,417** | **5,304,131,140** |
| Financial liabilities | - | 1,651,841 | 1,012,370 | 543,884 | - | - | 2,670,965,867 | 2,674,173,962 |
| Payables arising from main operations | - | - | - | 2,674 | - | - | 1,411 | 4,085 |
| Due to related parties | - | 3,997,061 | - | - | - | - | 2,025,692 | 6,022,753 |
| Other payables | - | - | - | - | - | - | 2,155,205,866 | 2,155,205,866 |
| Insurance technical provisions | - | 5,164,738 | - | 296,000 | - | - | 12,734 | 5,473,472 |
| Provisions for taxes and other similar obligations | - | 415,000 | - | - | - | 3,566,916 | 735,708 | 4,717,624 |
| Deferred income and expense accruals | - | - | - | - | - | - | 1,332,794 | 1,332,794 |
| Other short term liabilities | - | - | - | - | - | - | 54 | 54 |
| Provisions for other risks | | | | | | | 1,414,610 | 1,414,610 |
| Shareholders' equity | - | - | - | - | - | - | 455,785,920 | 455,785,920 |
| **Total liabilities** | **-** | **11,228,640** | **1,012,370** | **842,558** | **-** | **3,566,916** | **5,287,480,656** | **5,304,131,140** |
| **Net liquidity surplus/(deficit)** | **56,293,177** | **67,844,560** | **193,081,218** | **61,211,851** | **649,422,758** | **1,402,415,675** | **(2,430,269,239)** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### Market risk

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

*Currency risk*

The Company is exposed to currency risk through 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.

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

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

| Foreign currency position table – 31 December 2010 | | | | | | |
|---|---|---|---|---|---|---|
| | **Total TRY (Functional currency)** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
| 1. Cash at banks | **2,267,322** | 1,588,941 | 407,746 | 247,913 | 22,722 | - |
| 2. Financial assets and financial investments with risks on policyholders | **306,079,179** | 205,151,089 | 88,037,721 | 12,890,369 | - | - |
| 3. Receivables from main operations | **580,774** | 437,575 | 137,966 | 3,982 | - | 1,251 |
| 4. Reinsurance receivables | **26,968** | - | 26,968 | - | - | - |
| 5. Rent receivables | **3,757** | 3,757 | - | - | - | - |
| 6. Deposits given | **22,613** | 22,613 | - | - | - | - |
| **Foreign currency assets, current** | **308,980,613** | **207,203,975** | **88,610,401** | **13,142,264** | **22,722** | **1,251** |
| **7. Total assets** | **308,980,613** | **207,203,975** | **88,610,401** | **13,142,264** | **22,722** | **1,251** |
| 8. Finance lease liabilities | **-** | - | - | - | - | - |
| 9. Payables to reinsurers | **17,737** | 15,938 | - | - | 10 | 1,789 |
| 10. Agency guarantees | **145,981** | 132,482 | 13,499 | - | - | - |
| 11. Technical provisions | **248,330,562** | 171,431,236 | 68,984,843 | 7,770,376 | 26,631 | 117,476 |
| **Foreign currency liabilities, short term** | **248,494,280** | **171,579,656** | **68,998,342** | **7,770,376** | **26,641** | **119,265** |
| **12. Total liabilities** | **248,494,280** | **171,579,656** | **68,998,342** | **7,770,376** | **26,641** | **119,265** |
| **Net on-balance sheet position** | **60,486,333** | **35,624,319** | **19,612,059** | **5,371,888** | **(3,919)** | **(118,014)** |
| **Net long/(short) position on monetary items** | **60,463,720** | **35,601,706** | **19,612,059** | **5,371,888** | **(3,919)** | **(118,014)** |

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

| **31 December 2010** | **US Dollar** | **Euro** | **GBP** | **CHF** | **JPY** |
|---|---|---|---|---|---|
| Foreign currency rate used in translation of balance sheet items | 1.5460 | 2.0491 | 2.3886 | 1.6438 | 0.0189 |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

*Exposure to currency risk*

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2010 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 TRY against the following currencies, the effect will be in opposite direction.

| Exchange rate sensitivity analysis table – 31 December 2010 | | | | |
|---|---|---|---|---|
| | Profit/loss | | Equity | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **If US Dollar value changes by 10% against TRY:** | | | | |
| 1- Net US Dollar assets/liabilities | 3,374,998 | (3,374,998) | 3,562,432 | (3,562,432) |
| 2- Hedged portion from US Dollar risk (-) | - | - | - | - |
| **3- Net effect of US Dollar (1+2)** | **3,374,998** | **(3,374,998)** | **3,562,432** | **(3,562,432)** |
| **If EUR value changes by 10% against TRY:** | | | | |
| 4- Net Euro assets/liabilities | 1,931,172 | (1,931,172) | 1,961,206 | (1,961,206) |
| 5- Hedged portion from Euro risk (-) | - | - | - | - |
| **6- Net effect of Euro (4+5)** | **1,931,172** | **(1,931,172)** | **1,961,206** | **(1,961,206)** |
| **If GBP value changes by 10% against TRY:** | | | | |
| 7- Net GBP assets/liabilities | 527,261 | (527,261) | 537,189 | (537,189) |
| 8- Hedged portion from GBP risk (-) | - | - | - | - |
| **9- Net effect of GBP (7+8)** | **527,261** | **(527,261)** | **537,189** | **(537,189)** |
| **If CHF value changes by 10% against TRY:** | | | | |
| 10 - Net CHF assets/liabilities | (392) | 392 | (392) | 392 |
| 11 - Hedged portion from CHF risk (-) | - | - | - | - |
| **12 - Net effect of CHF (10+11)** | **(392)** | **392** | **(392)** | **392** |
| **If JPY value changes by 10% against TRY:** | | | | |
| 13 - Net JPY assets/liabilities | (11,801) | 11,801 | (11,801) | 11,801 |
| 14 - Hedged portion from JPY risk (-) | - | - | - | - |
| **15 - Net effect of JPY (13+14)** | **(11,801)** | **11,801** | **(11,801)** | **11,801** |
| **Total (3+6+9+12+15)** | **5,821,238** | **(5,821,238)** | **6,048,634** | **(6,048,634)** |

*Interest risk*

*Exposure to interest risk*

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

| | 31 December 2010 |
|---|---|
| ***Fixed rate financial instruments*** | |
| Financial assets | 1,713,869,071 |
| *Financial assets at fair value through* profit or loss | *12,438,421* |
| *Available-for-sale financial assets* | *1,701,133,134* |
| *Loans and receivables* | *297,516* |
| Banks | 72,775,964 |
| Financial liabilities | - |
| ***Variable rate financial instruments*** | |
| Financial assets | 595,206,603 |
| Financial liabilities | - |

*Interest rate sensitivity of financial instruments*

As of 31 December 2010, interest rate risk analysis of financial assets and financial liabilities are summarized in the table below:

| 31 December 2010 | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | 5 years and over | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| ***Assets:*** | | | | | | | |
| Cash and cash equivalents | 72,775,963 | - | - | - | - | 56,293,177 | 129,069,140 |
| Financial assets and investments with risks on policyholders | 498,540,852 | 286,473,882 | 64,461,853 | 393,805,811 | 1,066,392,935 | 143,287,656 | 2,452,962,989 |
| Receivables from main operations | 274,316 | 462,567 | 1,264,115 | - | - | 2,673,549,932 | 2,675,550,930 |
| Due from related parties | - | 92,711 | - | - | - | - | 92,711 |
| Other receivables | 5,693,029 | - | - | - | - | 630,266 | 6,323,295 |
| Prepaid expenses and income accruals, short term | 32,376 | 64,752 | 291,384 | - | - | 4,386,874 | 4,775,386 |
| Other current assets | - | - | - | - | - | 625,277 | 625,277 |
| Financial assets (Associates) | - | - | - | - | - | 10,902,159 | 10,902,159 |
| Tangible assets | - | - | - | - | - | 21,415,727 | 21,415,727 |
| Intangible assets | - | - | - | - | - | 2,383,010 | 2,383,010 |
| Prepaid expenses and income accruals, long term | - | - | - | - | - | 30,516 | 30,516 |
| Deferred tax assets | - | - | - | - | - | - | - |
| **Total assets** | **577,316,536** | **287,093,912** | **66,017,352** | **393,805,811** | **1,066,392,935** | **2,913,504,594** | **5,304,131,140** |
| ***Liabilities:*** | | | | | | | |
| Payables arising from main operations | 1,651,841 | 1,012,370 | 543,884 | - | - | 2,670,965,867 | 2,674,173,962 |
| Due to related parties | - | - | 2,674 | - | - | 1,411 | 4,085 |
| Other liabilities | 3,997,061 | - | - | - | - | 2,025,692 | 6,022,753 |
| Insurance technical provisions | - | - | - | - | - | 2,155,205,866 | 2,155,205,866 |
| Provisions for taxes and other similar obligations | 5,164,738 | - | - | - | - | 308,734 | 5,473,472 |
| Provisions for other risks | 415,000 | - | - | - | 3,566,916 | 735,708 | 4,717,624 |
| Deferred income and expense accruals | - | - | - | - | - | 1,332,794 | 1,332,794 |
| Other short term liabilities | - | - | - | - | - | 54 | 54 |
| Deferred tax liability | | | | | | 1,414,610 | 1,414,610 |
| Shareholders' equity | - | - | - | - | - | 455,785,920 | 455,785,920 |
| **Total liabilities** | **11,228,640** | **1,012,370** | **546,558** | **-** | **3,566,916** | **5,287,776,656** | **5,304,131,140** |
| **Net position** | **566,087,896** | **286,081,542** | **65,470,794** | **393,805,811** | **1,062,826,019** | **(2,374,272,062)** | **-** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

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

| 31 December 2010 | 100 bp increase | 100 bp decrease | 500 bp increase | 500 bp decrease |
|---|---|---|---|---|
| Company's own portfolio | (2,460,827) | 2,559,809 | (11,414,736) | 13,909,059 |
| **Total, net** | **(2,460,827)** | **2,559,809** | **(11,414,736)** | **13,909,059** |

*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 balance sheet date, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying consolidated 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).

If classification is available for usage, it necessitates the utilization of observable market data.

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 | 65,860,731 | - | - | 65,860,731 |
| Available for sale financial assets (*) | 351,128,016 | - | - | 351,128,016 |
| Financial investments with risks on policyholders classified as available for sale | 2,016,552,956 | - | - | 2,016,552,956 |
| Receivables from individual pension business | 2,619,959,840 | - | - | 2,619,959,840 |
| **Total financial assets** | **5,053,501,543** | **-** | **-** | **5,053,501,543** |
| ***Financial liabilities:*** | | | | |
| Investment contract liabilities – life mathematical provision for saving life policies | 2,090,760,148 | - | - | 2,090,760,148 |
| Payables arising from individual pension business | 2,619,959,840 | - | - | 2,619,959,840 |
| **Total financial liabilities** | **4,710,719,988** | **-** | **-** | **4,710,719,988** |

(*) As at 31 December 2010, securities that are not publicly traded amounting to TRY 26,132,859 have been measured at cost and are excluded from the table.

*Equity share price risk*

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Consolidated Financial Statements As at 31 December 2010
(Currency: Turkish Lira (TRY))

The effect of changes in fair values of the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as of 31 December 2010.

| | Change in index | 31 December 2010 |
|---|---|---|
| IMKB – 100 | 10% | 1,538,480 |

*Value at risk*

As at 31 December 2010, the Company's total value at risk is TRY 1,289,779 and basis of the calculation is presented in the below table:

| Value at risk | 31 December 2010 |
|---|---|
| **TRY transactions** | **1,041,673** |
| TRY marketable securities | 1,041,673 |
| **FC transactions** | **6,567** |
| Foreign currency position | 6,567 |
| **Equity shares** | **458,561** |
| Held for trading securities | 458,561 |
| **Effect of portfolio diversity** | **(217,022)** |
| **Total** | **1,289,779** |

### Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods by using unconsolidated financial statements are in line with the minimum requirements. The Company's recent capital adequacy table prepared as of the report date for 31 December 2010 is summarized below. As at 31 December 2010, the capital adequacy of the Company is TRY 109,456,121 and TRY 56,973,361; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at 31 December 2010. The Company's unconsolidated capital calculated based on the regulation as at 31 December 2010 TRY 450,645,954. Consequently, the Company's capital is adequate.

| Capital Adequacy Table | |
|---|---|
| | **31 December 2010** |
| **1. method** | |
| Required capital for non-life branches | 178,239 |
| Required capital for life branch | 100,852,982 |
| Required capital for pension branch | 8,424,900 |
| **Required capital based on the first method** | **109,456,121** |
| | |
| **2. method** | |
| Required capital for asset risk | 37,007,944 |
| Required capital for reinsurance risk | 538,642 |
| Required capital for excessive premium increase | - |
| Required capital for outstanding claims risk | 1,378,594 |
| Required capital for underwriting risk | 17,514,360 |
| Required capital for interest rate and currency risk | 533,821 |
| **Required capital based on the second method** | **56,973,361** |
| | |
| **Required capital** | **109,456,121** |
| **Current capital** | **450,645,954** |
| **Excessive capital** | **341,189,833** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 5. Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular "Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 4 January 2008.

| 31 December 2010 | Life | Individual Pension | Personal Accident | Total |
|---|---|---|---|---|
| ***Continuing operations:*** | | | | |
| Technical income | 551,195,278 | 95,156,430 | 171,844 | 646,523,552 |
| Technical expense | (537,249,963) | (82,036,396) | (397,551) | (619,683,910) |
| Total of other income and expense | 51,154,568 | 9,869,996 | 356,007 | 61,380,571 |
| **Income before tax** | **65,099,883** | **22,990,030** | **130,300** | **88,220,213** |
| Income tax expense | - | - | - | (15,435,000) |
| **Net profit for the year** | **65,099,883** | **22,990,030** | **130,300** | **72,785,213** |

| 31 December 2010 | Life | Individual Pension | Personal Accident | Total |
|---|---|---|---|---|
| Segment assets | 2,563,165,196 | 2,723,151,413 | 17,814,531 | 5,304,131,140 |
| **Total assets** | **2,563,165,196** | **2,723,151,413** | **17,814,531** | **5,304,131,140** |
| Segment liabilities | (2,537,643,462) | (2,748,851,762) | (17,635,916) | (5,304,131,140) |
| **Total liabilities** | **(2,537,643,462)** | **(2,748,851,762)** | **(17,635,916)** | **(5,304,131,140)** |
| **Other segment information** | | | | |
| Depreciation and amortization | (2,290,552) | (441,950) | (15,998) | **(2,748,500)** |

### 6. Tangible asset

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

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Land (*) | 1,832,831 | - | - | 1,832,831 |
| Buildings (*) | 25,379,158 | - | - | 25,379,158 |
| Machinery and equipment | 3,415,282 | 539,980 | (86,407) | 3,868,855 |
| Vehicles | 781,765 | 79,574 | (63,360) | 797,979 |
| Furniture and fixtures (includes leased assets) | 3,435,817 | 227,612 | (69,648) | 3,593,781 |
| Leasehold improvements | 1,638,657 | 386,535 | (1,328) | 2,023,864 |
| | **36,483,510** | **1,233,701** | **(220,743)** | **37,496,468** |
| ***Accumulated depreciation:*** | | | | |
| Buildings (*) | (8,904,808) | (508,688) | - | (9,413,496) |
| Machinery and equipment | (2,056,737) | (480,439) | 84,433 | (2,452,743) |
| Vehicles | (350,389) | (118,497) | 38,017 | (430,869) |
| Furniture and fixtures (includes leased assets) | (2,148,152) | (442,273) | 51,530 | (2,538,895) |
| Leasehold improvements | (969,689) | (276,375) | 1,326 | (1,244,738) |
| | **(14,429,775)** | **(1,826,272)** | **175,306** | **(16,080,741)** |
| **Carrying amounts** | **22,053,735** | | | **21,415,727** |

(*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 15,239,431 are investment properties and given in Note 7 in detail. Total impairment losses on own use land amounted to TRY 417,070.

There are no pledges on tangible assets.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 7. Investment properties

Movement in investment properties in the period from 1 January to 31 December 2010 is presented below:

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Land | 1,411,831 | - | - | 1,411,831 |
| Buildings | 24,461,256 | - | - | 24,461,256 |
| | **25,873,087** | **-** | **-** | **25,873,087** |
| ***Accumulated depreciation:*** | | | | |
| Buildings | (8,732,600) | (489,225) | - | (9,221,825) |
| | **(8,732,600)** | **(489,225)** | **-** | **(9,221,825)** |
| **Carrying amounts** | **17,140,487** | | | **16,651,262** |

For the year ended 31 December 2010, the Company has rental income from investment properties amounting TRY 2,335,332.

As at 31 December 2010, the Company's total fair value of investment property amounts to TRY 53,523,000. Expert reports on these properties have been prepared by the authorized real estate valuation companies at January and February of 2010. There are no pledges on these properties.

### 8. Intangible assets

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

| | 1 January 2010 | Additions | Disposals | 31 December 2010 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| Rights | 5,019,866 | 1,334,915 | - | 6,354,781 |
| | **5,019,866** | **1,334,915** | **-** | **6,354,781** |
| ***Accumulated amortization:*** | | | | |
| Rights | (3,049,543) | (922,228) | - | (3,971,771) |
| | **(3,049,543)** | **(922,228)** | **-** | **(3,971,771)** |
| **Carrying amounts** | **1,970,323** | | | **2,383,010** |

### 9. Investments in associates

| | 31 December 2010 | |
|---|---|---|
| | **Carrying value** | **Participation rate %** |
| İş Portföy Yönetimi A.Ş. | 10,902,159 | 20.0% |
| **Investments in associates, net** | **10,902,159** | |

| Associate | Total assets | Shareholders' equity | Retained earnings | Profit for the year | Audited | Period |
|---|---|---|---|---|---|---|
| İş Portföy Yönetimi A.Ş. | 66,163,945 | 54,510,796 | 10,311,676 | 10,968,068 | Yes | 31 December 2010 |

The Company has obtained bonus shares through capital increases in associates from profit or capital reserves amounting to TRY 809,335.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 10. Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

| **Reinsurance assets** | **31 December 2010** |
|---|---|
| Reserve for unearned premiums, ceded *(Note 17.15)* | 1,290,764 |
| Provision for outstanding claims, ceded *(Note 17.15)* | 589,625 |
| Life mathematical reserve, ceded *(Note 17.15)* | 3,294,984 |
| **Total** | **5,175,373** |

There is not any impairment losses recognized for reinsurance assets.

| **Reinsurance liabilities** | **31 December 2010** |
|---|---|
| Current account of insurance companies | 1,012,370 |
| Cash deposited by insurance and reinsurance companies *(Note 19)* | 543,884 |
| **Total** | **1,556,254** |

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

| | **31 December 2010** |
|---|---|
| ***Life branch:*** | |
| Premiums ceded during the year | (7,229,203) |
| Change in unearned premiums reserve, ceded | 93,438 |
| Commissions received from reinsurers (*) | 1,058,214 |
| Reinsurers share of claims paid | 893,392 |
| Change in outstanding claims, ceded | 57,601 |
| Change in life mathematical reserve, ceded | 2,054,433 |
| | **(3,072,125)** |
| ***Non-life branch:*** | |
| Premiums ceded during the year | (93,921) |
| Change in unearned premiums reserve, ceded | (12,466) |
| Commissions received from reinsurers (*) | 15,279 |
| Reinsurers share of claims paid | 3,957,078 |
| Change in outstanding claims, ceded | (105,289) |
| | **3,760,681** |
| **Total, net** | **688,556** |

(*) Deferred commissions are excluded from commissions received from reinsurers.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 11. Financial assets

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

| Financial assets and financial investments with risk on policyholders | 31 December 2010 |
|---|---|
| Available for sale financial assets, Company's own portfolio | 377,260,875 |
| Financial assets held for trading purpose | 65,860,731 |
| Loans and receivables | 297,516 |
| Financial investments with risks on saving life policyholders classified as available for sale | 2,016,552,956 |
| Impairment loss on financial assets | (7,009,089) |
| **Total** | **2,452,962,989** |

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | **Face value** | **Cost** | **Fair value** | **Carrying value** |
| *Debt instruments:* | | | | |
| Private sector bonds | 5,608,199 | 5,626,248 | 5,795,702 | 5,795,702 |
| Government bonds and treasury bills | 15,200,000 | 14,027,883 | 14,605,283 | 14,605,283 |
| **Total financial assets held for trading purpose – debt instruments** | **20,808,199** | **19,654,131** | **20,400,985** | **20,400,985** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares | | 10,265,637 | 12,420,036 | 12,420,036 |
| Investment funds and Turkish derivatives exchange contracts | | 26,649,250 | 33,039,710 | 33,039,710 |
| **Total financial assets held for trading purpose – other** | | **36,914,887** | **45,459,746** | **45,459,746** |
| **Total financial assets held for trading purpose** | | **56,569,018** | **65,860,731** | **65,860,731** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

As at 31 December 2010, the Company's loans and receivables are detailed as follows:

| | 31 December 2010 | | |
|---|---|---|---|
| | Cost | Fair value | Carrying value |
| Reverse repo | 297,464 | 297,516 | 297,516 |
| **Total loans and receivables** | **297,464** | **297,516** | **297,516** |

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| *Debt instruments:* | | | | |
| Government bonds | 262,699,842 | 250,937,359 | 271,824,217 | 271,824,217 |
| **Total available for sale financial assets – debt instruments** | **262,699,842** | **250,937,359** | **271,824,217** | **271,824,217** |
| *Equity shares and other non-fixed income financial assets:* | | | | |
| Equity shares (*) | | 77,738,578 | 105,436,658 | 105,436,658 |
| **Total available for sale financial assets – other** | | **77,738,578** | **105,436,658** | **105,436,658** |
| **Total available for sale financial assets** | | **328,675,937** | **377,260,875** | **377,260,875** |
| **Impairment loss on available for sale equity shares** | | **(7,009,089)** | **(7,009,089)** | **(7,009,089)** |
| **Net available for sale financial assets** | | **321,666,848** | **370,251,786** | **370,251,786** |

(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2010 is detailed as follows:

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Face value | Face value | Face value | Face value |
| *Debt Instruments:* | | | | |
| Government bonds | 1,572,884,563 | 1,577,561,392 | 1,722,452,242 | 1,722,452,242 |
| Eurobonds issued by Turkish Government | 142,071,000 | 219,268,197 | 294,100,714 | 294,100,714 |
| **Total available for sale financial assets – debt instruments** | **1,714,955,563** | **1,796,829,589** | **2,016,552,956** | **2,016,552,956** |
| **Financial investments with risks on saving life policyholders** | | **1,796,829,589** | **2,016,552,956** | **2,016,552,956** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

According to the early disposal call of Undersecretariat of Treasury, in order to increase the income of the insurees, the Company exchanged the government bonds TRY 33,295,804 with a nominal value and matured on 17 February 2010, kept in Financial Assets and Investments with Risks on Policy account with the government bonds will be matured on 2 April 2014. During this change, it is taken into consideration that according to TAS 39, the Company cannot classify any financial assets into held-to-maturity investments for two years.

The Company has no securities, other than issued shares in the current year, or any matured debt securities.

The Company does not have any financial assets issued by the Company's shareholders, subsidiaries, affiliates or associates.

Value increases in financial assets for the last three years:

| | 31 December2010 | 31 December 2009 | 31 December 2008 |
|---|---|---|---|
| ***Current financial assets:*** | | | |
| Available for sale financial assets, Company's own portfolio | 48,584,938 | 73,065,314 | 3,486,316 |
| Financial assets held for trading purpose | 9,291,713 | 7,585,847 | 2,571,050 |
| Loans and receivables | 52 | - | - |
| Financial investments with risks on saving life policyholders classified as available for sale | 219,723,367 | 197,145,196 | 174,525,248 |
| **Total** | **277,600,070** | **277,796,357** | **180,582,614** |

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

The Company has TRY 7,009,089 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market.

The Company does not apply hedge accounting.

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current year or at initial recognition are recognized in profit or loss.

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Face value | Cost | Fair value | Carrying value |
| Financial investments with risks on saving life policyholders – debt securities | 1,714,955,563 | 1,796,829,589 | 2,016,552,956 | 2,016,552,956 |
| Available for sale financial assets | 144,925,648 | 144,827,385 | 155,655,623 | 155,655,623 |
| **Total** | | **1,941,656,974** | **2,172,208,579** | **2,172,208,579** |

### 12. Loans and receivables

The details of the Company's receivables are as follows:

| | 31 December 2010 |
|---|---|
| Receivables from insurance operations | 7,471,182 |
| Provisions for receivables from insurance operations | (2,574) |
| Loans to the Policyholders | 48,122,482 |
| Doubtful receivables from main operations and insurance operations | 117,996 |
| Provisions for doubtful receivables from main operations and insurance operations | (117,996) |
| Receivables from pension activities | 2,619,959,840 |
| **Total receivables from main operations** | **2,675,550,930** |
| Receivables from personnel | 92,711 |
| Other receivables | 6,323,295 |
| **Total** | **2,681,966,936** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

The details of guarantees for the Company's receivables are presented below:

| | 31 December 2010 |
|---|---|
| Real estate pledges | 1,116,900 |
| Letters of guarantees | 838,728 |
| Guarantees and commitments | 960,017 |
| **Total** | **2,915,645** |

| | 31 December 2010 |
|---|---|
| Provisions for doubtful receivables from main operations and insurance operations at the beginning of the year | 131,846 |
| Collections | (13,850) |
| **Provisions for doubtful receivables from main operations and insurance operations at the end of the year** | **117,996** |

**Provision for both overdue receivables and receivables not due yet**

a) Receivables under legal or administrative follow up (due): TRY 117,996.

b) Provision for premium receivables (due): TRY 2,574.

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

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

Details of the Company's foreign currency denominated receivables and payables without exchange rate guarantees are presented below.

| Foreign exchange rates used in valuation of balance sheet items | 31 December 2010 |
|---|---|
| USD Dollar - *buy* | 1.5460 |
| USD Dollar – *sales* | 1.5535 |
| Euro - *buy* | 2.0491 |
| Euro – *sales* | 2.0590 |
| British Pound | 2.3886 |
| Japanese Yen | 0.0189 |
| Swiss Frank | 1.6438 |

| 31 December 2010 | USD Dollar | Euro | British Pound | Japanese Yen | Swiss Frank | Total (TRY) |
|---|---|---|---|---|---|---|
| Receivables from policyholders | 437,575 | 137,966 | 3,982 | 1,251 | - | 580,774 |
| Reinsurer receivables | - | 26,968 | - | - | - | 26,968 |
| Rent receivables | 3,757 | - | - | - | - | 3,757 |
| Deposits given | 22,613 | - | - | - | - | 22,613 |
| **Total foreign currency assets** | **463,945** | **164,934** | **3,982** | **1,251** | - | **634,112** |
| Reinsurer payables (*) | 15,938 | - | - | 1,789 | 10 | 17,737 |
| Agency guarantees (**) | 132,482 | 13,499 | - | - | - | 145,981 |
| **Total foreign currency liabilities** | **148,420** | **13,499** | - | **1,789** | **10** | **163,718** |

(*) Technical reserves are carried at the exchange buying rates of the Central Bank of Turkish Republic since the Company pays its foreign currency liabilities at exchange buying rates in accordance with the Insurance Law and directions approved by the Turkish Treasury.

(**) Valued at the exchange sales rates of the Central Bank of Turkish Republic.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 13. Derivative financial instruments

As at 31 December 2010, the detailed information about the Company's present derivative financial instruments is presented in 11 – *Financial assets.* At the balance sheet 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, cash and cash equivalents are as follows:

| | 31 December 2010 | |
|---|---|---|
| | **At the end of the period** | **At the beginning of the period** |
| Cash on hand | 17,198 | 9,012 |
| Bank deposits | 76,694,447 | 78,744,899 |
| Other cash and cash equivalents (*) | 52,404,769 | 42,834,036 |
| Cheques given and payment orders | (47,274) | (44,109) |
| **Cash and cash equivalents in the balance sheet** | **129,069,140** | **121,543,838** |
| Interest accruals on bank deposits | (517,604) | (356,654) |
| Time deposits with maturities longer than 3 months | - | (4,001,056) |
| **Cash and cash equivalents presented in the statement of cash flow** | **128,551,536** | **117,186,128** |

(*) Other cash and cash equivalents include credit card receivables from banks in relation to premium payments of policyholders.

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

| | **31 December 2010** |
|---|---|
| Foreign currency denominated bank deposits | |
| - time deposits | 1,544,600 |
| - demand deposits | 722,722 |
| Bank deposits in Turkish Lira | |
| - time deposits | 71,231,364 |
| - demand deposits | 3,195,761 |
| **Cash at banks** | **76,694,447** |

As at 31 December 2010, TRY time deposits have a maximum maturity of 1 month and their simple interest rates vary between 8.80% and 9.32% and USD time deposits have a maturity of 7 days with 1.50% simple interest rate.

As at 31 December 2010, the details of the foreign currency cash and cash equivalents are as follows:

| | **31 December 2010** |
|---|---|
| USD Dollar | 1,588,941 |
| Swiss Frank | 22,722 |
| Euro | 407,746 |
| British Pound | 247,913 |
| **Total foreign currency bank deposits** | **2,267,322** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 15. Equity

#### Paid in Capital

As at 31 December 2010, the authorized nominal share capital of the Company is TRY 250,000,000 and the share capital of the Company consists of 25,000,000,000 issued shares with TRY 0.01 nominal value each.

The Company's share capital is divided into group A and group B shares. Group A share is represented by 100,000,000 of equity shares having a nominal amount of TRY 0.01 each. Group B share is represented by 24,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası A.Ş. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of 31 December 2010, the Company's registered capital is TRY 300,000,000.

As at 31 December 2010, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi A.Ş.

There are not any treasury shares held by the Company itself.

#### 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 movement of legal reserves is as follows:

| | 31 December 2010 |
|---|---|
| **Legal reserves at the beginning of the year** | **45,557,059** |
| Transfer from profit | 8,246,989 |
| **Legal reserves at the end of the year** | **53,804,048** |

#### Extraordinary reserves

The movement of extraordinary reserves is presented below:

| | 31 December 2010 |
|---|---|
| **Extraordinary reserves at the beginning of the year** | **4,821,283** |
| Transfer from profit | 8,546,693 |
| **Extraordinary reserves at the end of the year** | **13,367,976** |

#### Statutory reserves

The movement of Statutory reserves is presented below:

| | 31 December 2010 |
|---|---|
| **Statutory reserves at the beginning of the year** | **17,783,838** |
| Transfer from profit | 5,868,628 |
| **Statutory reserves at the end of the year** | **23,652,466** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

| | 31 December 2010 |
|---|---|
| **Fair value reserves at the beginning of the year** | **27,685,918** |
| ***Changes during the year:*** | |
| The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets with risks on saving life policyholders | 9,728 |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders | 78,202,843 |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion | (74,292,701) |
| Change in unrealized gains and losses from available for sale financial assets, company's own portfolio | 12,112,915 |
| Deferred and corporate tax effect | (1,811,858) |
| ***Disposals during the year:*** | |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders | (35,509,360) |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion | 33,733,892 |
| Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio | (7,096,851) |
| Deferred and corporate tax effect | 1,774,464 |
| ***Amounts transferred to income statement due to bonus shares:*** | (920,611) |
| **Fair value reserves at the end of the year** | **33,888,379** |

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

Income and expense items that are directly accrued in equity as of the balance sheet date are as follows:

| | 31 December 2010 |
|---|---|
| Temporary differences arising from revaluation of financial assets | 16,399,833 |
| Permanent differences arising from revaluation of financial assets | 20,768,513 |
| Deferred tax effect | (3,279,967) |
| **Total** | **33,888,379** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 17. Insurance contract liabilities and reinsurance assets

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

| | 31 December 2010 | |
|---|---|---|
| | **Should be placed (**)** | **Placed (*)** |
| *Life:* | | |
| Financial assets (*) | 1,865,970,949 | 2,129,944,090 |
| **Total** | **1,865,970,949** | **2,129,944,090** |
| *Non-life:* | | |
| Financial assets (*) | 4,389,328 | 1,376,203 |
| **Total** | **4,389,328** | **1,376,203** |
| **Total** | **1,870,360,277** | **2,131,320,293** |

(*) As at 31 December 2010, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

(**) According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. As at 31 December 2010, minimum guarantee amount of 30 June 2010 is shown as necessary guarantee amount of December; since the capital adequacy table of the Company has not prepared as at 31 December 2009.

As at 31 December 2010, TRY 1,882,698,450 of government bonds and TRY 248,621,450 of Eurobonds are placed as guarantee for the life and non-life branches.

**17.2 Number of life insurance policies, additions, disposals in the current year, and current life policy holders and the related mathematical reserves**

| | 31 December 2010 (*) | |
|---|---|---|
| | **Number of policies** | **Number of policies** |
| Additions during the year | 968,657 | 530,506,521 |
| Disposals during the year | (902,534) | (394,582,482) |
| **Outstanding** | **1,086,305** | **1,977,259,183** |

(*) The above table includes 1,234 of reactivated life insurance policies and their corresponding mathematical reserves.

As explained in Note 2.8 - *Financial Assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortized cost difference amounting to TRY 112,598,382 is recognized under the life mathematical provisions. TRY 4,197,567 of future withholding tax levied to income obtained from financial investments which are classified under the Company's assets is also recognized under the life mathematical provisions. These balances are not included in the above table.

TRY 3,294,984 of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

**17.3 Guarantees given to non-life insurances based on branches:**

| | **31 December 2010** |
|---|---|
| Guarantees given to death by accident | 798,234,913 |
| Guarantees given to disability by accident | 798,134,913 |
| **Total** | **1,596,369,826** |

# Anadolu Hayat Emeklilik A.Ş.

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

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### 17.4 Pension investment funds established by the Company and their unit prices:

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

| | 31 December 2010 Unit price |
|---|---|
| AH1 Bond Fund | 0.036770 |
| AH2 Liquid Fund | 0.025547 |
| AH3 Eurobond Dollar Fund | 0.019936 |
| AH4 Eurobond Euro Fund | 0.018774 |
| AH5 Equity Fund | 0.067288 |
| AH6 International Mixed Fund | 0.017282 |
| AH8 Conservative Fund | 0.029709 |
| AH9 Balanced Fund | 0.041024 |
| AH0 Aggressive Fund | 0.063049 |
| AGE Alternative Gain Fund | 0.010218 |
| ABE BRIC Plus Fund | 0.011216 |
| AG1 Group Bond Fund | 0.032347 |
| AG2 Group Eurobond Fund | 0.015145 |
| AG3 Group Equity Fund | 0.041046 |
| AG4 Group Conservative Fund | 0.027440 |
| HS1 Bond - Bill Fund | 0.022963 |
| AHB White Equity Fund | 0.022594 |
| ATK Orange Bond - Bill Fund | 0.017408 |
| ATE Orange Balanced Fund | 0.017862 |

### 17.5 Number and amount of participation certificates in portfolio and circulation:

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

| | 31 December 2010 | |
|---|---|---|
| | Participation Certificates in Circulation | |
| | Number | Amount |
| AH1 Bond Fund | 27,679,333,589.65 | 1,017,769,096.09 |
| AH2 Liquid Fund | 2,579,462,040.52 | 65,897,516.75 |
| AH3 Eurobond Dollar Fund | 2,733,222,113.08 | 54,489,516.04 |
| AH4 Eurobond Euro Fund | 2,549,902,606.69 | 47,871,871.54 |
| AH5 Equity Fund | 1,775,358,800.49 | 119,460,342.97 |
| AH6 International Mixed Fund | 332,624,247.10 | 5,748,412.24 |
| AH8 Conservative Fund | 2,305,239,236.06 | 68,486,352.46 |
| AH9 Balanced Fund | 14,728,475,608.56 | 604,220,983.37 |
| AH0 Aggressive Fund | 4,694,946,079.01 | 296,011,655.33 |
| AGE Alternative Gain Fund | 40,036,050.76 | 409,088.37 |
| ABE BRIC Plus Fund | 213,456,947.81 | 2,394,133.12 |
| AG1 Group Bond Fund | 1,814,736,792.47 | 58,701,291.03 |
| AG2 Group Eurobond Fund | 185,168,965.97 | 2,804,383.99 |
| AG3 Group Equity Fund | 293,424,718.17 | 12,043,910.98 |
| AG4 Group Conservative Fund | 1,480,179,773.42 | 40,616,132.98 |
| HS1 Bond - Bill Fund | 7,663,308,793.44 | 175,972,559.82 |
| AHB White Equity Fund | 705,396,557.95 | 15,937,729.83 |
| ATK Orange Bond - Bill Fund | 1,107,668,639.86 | 19,282,295.68 |
| ATE Orange Balanced Fund | 663,003,411.70 | 11,842,566.94 |
| **Total** | | **2,619,959,839.53** |

# Anadolu Hayat Emeklilik A.Ş.

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

| | 31 December 2010 | | | |
|---|---|---|---|---|
| | Additions during the year | Left/cancellations during the year | Outstanding | Total amount |
| Individuals | 105,827 | 53,244 | 432,697 | 2,085,111,887 |
| Group | 39,269 | 12,357 | 123,036 | 529,424,802 |
| **Total** | **145,096** | **65,601** | **555,733** | **2,614,536,689** |

***Additions:*** The sum of the new contracts added in the year and their registered cumulative values as of the year end in addition with the number of the contracts that begin and finish in the same year. For the data calculated for 31 December 2010, portfolio amount and insurance contract numbers related with contribution amounts collected before the exercise date are not taken into consideration. In addition, the amounts related with credit card collections with undue blockage terms are not added to the calculation.

***Left/cancellations:*** The number of finalized contracts during the year and their values at their expiration dates.

***Outstanding:*** The number of outstanding contracts and their values as of the year end.

Since retirement plan transfers between individual and group retirement plans occurs during the year, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior balance sheet date become a liability because of collection reversals in the current year or when the contracts effective at the prior balance sheet date become an asset, total numbers and portfolio values of these contracts are net off at the year end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the year-end.

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

Financial investments with risks on saving life policyholders are classified as "available-for-sale financial assets". These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

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

| | 31 December 2010 | | |
|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 105,827 | 145,825,993 | 142,101,892 |
| Group | 39,269 | 22,704,198 | 22,264,037 |
| **Total** | **145,096** | **168,530,191** | **164,365,929** |

Contracts become effective in the current year and the total contracts become effective and ceased in the same year and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current year numbers and balances.

### 17.9 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:

| | 31 December 2010 | | |
|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 4,202 | 43,975,369 | 43,975,369 |
| Group | 410 | 4,820,335 | 4,820,335 |
| **Total** | **4,612** | **48,795,704** | **48,795,704** |

### 17.10 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:

The legal permission of the transfer from life portfolio to private pension portfolio expired on 7 October 2006 and therefore, there is no transfer in the current and prior year.

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

| | 31 December 2010 | | |
|---|---|---|---|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 53,244 | 232,889,288 | 192,734,041 |
| Group | 12,357 | 38,483,285 | 32,042,219 |
| **Total** | **65,601** | **271,372,573** | **224,776,260** |

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Number of contracts indicates the number of disposals in the related year.

Gross contributions indicate the fund sales amount as a result of disposal, i.e.; disposal amount.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

**17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the year (*):**

| | 31 December 2010 | |
|---|---|---|
| | **Number of contracts** | **First premium amounts (TRY)** |
| Individuals | 289,558 | 173,236,443 |
| Group | 677,865 | 27,700,095 |
| **Total** | **967,423** | **200,936,538** |

(*) 1,234 of reactivated contracts are not included in the current year additions.

**17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the year:**

| | 31 December 2010 | |
|---|---|---|
| | **Number of contracts** | **First premium amounts (TRY)** |
| Individuals | 286,536 | 389,967,470 |
| Group | 615,998 | 4,615,012 |
| **Total** | **902,534** | **394,582,482** |

**17.14 Profit share distribution rate of life insurances as of 31 December 2010**

| | **31 December 2010** |
|---|---|
| **TRY** | |
| *Life insurance* | 11.35 |
| *Income insurance* | 11.32 |
| **USD** | |
| *Life insurance* | 8.37 |
| *Income insurance* | 8.37 |
| **EURO** | |
| *Life insurance* | 6.28 |
| *Income insurance* | 6.27 |
| **GBP** | |
| *Life insurance* | 9.56 |
| *Income insurance* | 9.50 |

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

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### 17.15 Information on insurance contract balances in the financial statements

| | **31 December 2010** |
|---|---|
| Reserve for unearned premiums, gross | 9,372,409 |
| Reserve for unearned premiums, ceded *(Note 10)* | (1,290,764) |
| **Reserves for unearned premiums, net** | **8,081,645** |
| Provision for outstanding claims, gross | 55,733,381 |
| Provision for outstanding claims, ceded *(Note 10)* | (589,625) |
| **Provision for outstanding claims, net** | **55,143,756** |
| Life mathematical provisions, gross (*) | 2,094,055,132 |
| Life mathematical provisions, ceded *(Note 10)* | (3,294,984) |
| **Life mathematical provisions, net** | **2,090,760,148** |
| **Equalization provision, net** | **1,220,317** |
| **Total insurance technical provisions, net** | **2,155,205,866** |

(*) As at 31 December 2010, life mathematical provisions amounting to TRY 1,934,860,059 is medium and long term and TRY 159,195,073 is short term.

### 17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January - 31 December 2010 is as follows:

| | **Mathematical provisions** |
|---|---|
| | **31 December 2010** |
| New policies issued | 127,077,520 |
| Activated from reductions | 2,771,535 |
| Activated from cancellations | 34,796,742 |
| Contracts with increased capital | 242,363,983 |
| **Total increase in the portfolio** | **407,009,780** |

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2010 is as follows:

| | **Mathematical provisions** |
|---|---|
| | **31 December 2010** |
| Terminations and cancellations (-) | (4,425,368) |
| Transformed to contracts without charge (-) | (24,936,311) |
| Contracts with decreased capital (-) | - |
| Purchases (-) | (137,498,820) |
| Ceased with risk formed (-) | (2,374,426) |
| Expirations (-) | (150,393,520) |
| **Total decrease in the portfolio** | **(319,628,445)** |

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Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January - 31 December 2010 is as follows:

| Mathematical provisions | |
|---|---|
| | 31 December 2010 |
| New policies issued | 10,013,755 |
| Activated from reductions | 4,650 |
| Activated from cancellations | 656,518 |
| Contracts with increased capital | 984,296 |
| **Total increase in the portfolio** | **11,659,219** |

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the 1 January - 31 December 2010 year is presented as below:

| Mathematical provisions | |
|---|---|
| | 31 December 2010 |
| Terminations and cancellations (-) | (6,727) |
| Transformed to contracts without charge (-) | (910,483) |
| Insurances had capital decrease (-) | - |
| Purchases (-) | (3,291,855) |
| Ceased with risk formed (-) | (29,470) |
| Expirations (-) | (1,286,960) |
| **Total decrease in the portfolio** | **(5,525,495)** |

### 17.17 Gain/losses resulted from reinsurance contracts and recognized in the income statement

Gain or losses resulted from reinsurance contracts and recognized in the income statement are disclosed in note 10, *reinsurance assets/liabilities*.

### 17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

| Claim year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total |
|---|---|---|---|---|---|---|---|
| Claim year | 6,896,495 | 9,843,781 | 7,656,449 | 7,662,547 | 6,212,268 | 10,872,103 | 49,143,643 |
| 1 year later | 1,659,250 | 1,141,871 | 1,821,855 | 3,634,320 | 4,233,157 | - | 12,490,453 |
| 2 years later | 87,459 | 237,776 | 274,031 | 273,370 | - | - | 872,636 |
| 3 years later | 77,134 | 80,598 | 59,645 | - | - | - | 217,377 |
| 4 years later | 35,221 | 31,458 | - | - | - | - | 66,679 |
| 5 years later | - | - | - | - | - | - | - |
| **Cumulative payments up to date** | **8,755,559** | **11,335,484** | **9,811,980** | **11,570,237** | **10,445,425** | **10,872,103** | **62,790,788** |
| **Payments for the year ended 2010 (*)** | **-** | **31,458** | **59,645** | **273,370** | **4,233,157** | **10,872,103** | **15,469,733** |

(*) The claims paid includes death-disability termination and personal accident branch gross payments.

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

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4, *management of insurance risks.*

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

None.

### 19. Trade and other payables and deferred income

| | 31 December 2010 |
|---|---|
| Payables from insurance operations | 2,751,562 |
| Cash deposited by insurance and reinsurance companies | 543,884 |
| Payables from pension activities | 2,670,878,516 |
| **Total payables from main operations** | **2,674,173,962** |
| Due to shareholders | 2,674 |
| Payables to other related parties | 1,411 |
| **Total payables to related parties** | **4,085** |
| Guarantees and deposits received | 201,082 |
| Other payables | 5,821,671 |
| **Total other payables** | **6,022,753** |
| Deferred income | 1,160,520 |
| Expense accruals | 172,274 |
| **Total deferred income and expense accruals** | **1,332,794** |
| **Total** | **2,681,533,594** |

### 20. Financial liabilities

The Company has no financial liabilities as at 31 December 2010.

### 21. Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% tax rate is used in the calculation of deferred tax asset and liabilities.

| Deferred tax (assets)/liabilities base: | 31 December 2010 |
|---|---|
| Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards | (3,171,528) |
| Provision for employee termination benefits | (3,566,916) |
| Provision for unused vacation pay liability | (735,708) |
| Equalization reserves | (1,220,317) |
| Difference in valuation of financial assets | 15,767,522 |
| **Total** | **7,073,053** |

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

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| **Deferred tax (assets)/liabilities:** | **31 December 2010** |
|---|---|
| Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards | (634,306) |
| Provision for employee termination benefits | (713,383) |
| Provision for unused vacation pay liability | (147,142) |
| Equalization reserves | (244,063) |
| Difference in valuation of financial assets | 3,153,504 |
| **Total** | **1,414,610** |

Movement of deferred tax assets/liabilities as at 31 December 2010 is given below:

| **Movement of deferred tax (assets)/liabilities:** | **31 December 2010** |
|---|---|
| Opening balance at 1 January | (900,361) |
| Recognized in profit or loss | 1,946,014 |
| Recognized in equity | 368,957 |
| **Closing balance at the end of year** | **1,414,610** |

### 22. Retirement benefit obligations

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The termination benefit to be paid is subject to upper limit of TRY 2,517.01 as at 31 December 2010.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.1% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% . The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

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

| | **31 December 2010** |
|---|---|
| Provision as at 1 January | 3,387,351 |
| Interest cost | 157,925 |
| Service cost | 1,000,173 |
| Payments made during the year | (1,021,004) |
| Actuary gains and loses | 42,471 |
| **Provision as at 31 December** | **3,566,916** |

# Anadolu Hayat Emeklilik A.Ş.

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

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### 23. Other liabilities and provisions

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

| | 31 December 2010 |
|---|---|
| Provision for unused vacation pay liability | 735,708 |
| Provision for commissions to sales personnel | 415,000 |
| **Provisions for costs** | **1,150,708** |
| **Provision for employee termination benefits** | **3,566,916** |
| **Total provisions for other risks** | **4,717,624** |

### 24 Net insurance premium revenue

| | 31 December 2010 |
|---|---|
| Non-life | 164,340 |
| Life | 350,122,861 |
| **Total** | **350,287,201** |

### 25. Fee revenues

The details of fee revenues for year ended 31 December 2010 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

| | 31 December 2010 |
|---|---|
| Fund management income | 55,617,732 |
| Administrative cost deductions | 23,501,810 |
| Entrance fee | 15,711,175 |
| Administrative cost deductions in the form of cessation | 231,133 |
| Other technical income | 94,256 |
| Increase in value of capital allowances given | 324 |
| **Total** | **95,156,430** |

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### 26. Investment income

| | 31 December 2010 |
|---|---|
| ***Financial assets held-for-trading:*** | |
| Interest income | 7,348,202 |
| Dividend income | 258,282 |
| Gain on sale | 6,708,561 |
| Valuation gain | 4,162,004 |
| ***Financial assets available- for-sale:*** | |
| Interest income | 107,886,750 |
| Dividend income | 2,141,039 |
| Gain on sale | 21,894,940 |
| Valuation gain | 92,919,012 |
| ***Income from associates:*** | |
| ***Investment properties:*** | 2,197,214 |
| Rent income | |
| ***Other income:*** | 2,335,332 |
| **Total** (*) | 19,062,728 |
| ***Financial assets held-for-trading:*** | **266,914,064** (*) |

(*) TRY 71,422,376 of investment income obtained from the Company's own portfolio and TRY 195,491,688 of investment income obtained from policyholders' portfolio.

### 27. Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

| | 31 December 2010 |
|---|---|
| *Available-for-sale financial assets:* | |
| Fair value differences recognized in equity | 31,247,163 |
| Fair value differences recognized in profit/loss | 12,427,034 |
| **Total** | **43,674,197** |

### 28. Assets held at fair value through profit or loss

Net gain from assets held at fair value through profit or loss recognized in income statement as of 31 December 2010 is TRY 18,477,049.

### 29. Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

### 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* below.

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

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### 32. Operating expenses

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

| | 31 December 2010 |
|---|---|
| Production commission expenses | (44,155,317) |
| Employee benefit expenses | (43,833,904) |
| Bank fees | (14,023,175) |
| Rent expense | (11,697,482) |
| Administration expenses | (4,872,001) |
| Marketing and sales expenses | (2,156,267) |
| Outsourced benefits and services | (1,285,933) |
| Reinsurance commission income | 1,059,758 |
| Other expenses | (2,735,841) |
| **Total** | **(123,700,162)** |

### 33. Employee benefit expenses

| | 31 December 2010 |
|---|---|
| Wages and salaries | 43,833,904 |
| Employee termination benefits | 179,565 |
| Provision for unused vacation | 161,952 |
| **Total** | **44,175,421** |

### 34. Financial costs

The Company's finance expense which is recognized directly as expense in the current year amounts to TRY 150.

### 35. Income tax expense

| | 31 December 2010 |
|---|---|
| *Corporate tax liabilities:* | |
| Corporate tax provision | 15,435,000 |
| Less: Corporation taxes paid in advances during the year | (15,139,000) |
| **Total** | **296,000** |

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*Total tax expense recognized in profit or loss*

| | **31 December 2010** |
|---|---|
| Current tax expense | 15,435,000 |
| Deferred tax expense/(income) | 1,946,014 |
| **Total** | **17,381,014** |

*Total tax expense recognized in equity*

| | **31 December 2010** |
|---|---|
| Change in fair value of available for sale financial assets | 3,279,967 |
| **Total deferred tax expense recognized in equity** | **3,279,967** |

*Reconciliation of the Company's taxation for the year ended 31 December 2010 is as follows:*

| | **31 December 2010** | |
|---|---|---|
| **Profit before tax** | **88,220,213** | **Tax rate (%)** |
| Taxes on income per statutory tax rate | (17,644,043) | (20.00) |
| Disallowable expenses | (702,940) | (0.80) |
| Effect of allowances | 965,969 | 1.09 |
| **Total tax expense recognized in profit or loss** | **(17,381,014)** | **(19.71)** |

### 36. Net foreign exchange gain

| | **31 December 2010** |
|---|---|
| Foreign exchange gains | 994,669 |
| Foreign exchange losses | (856,035) |
| **Total** | **138,634** |

### 37. Earnings per share

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

| | **31 December 2010** |
|---|---|
| *For a share having TRKr (Kuruş) 1 of nominal value:* | |
| Weighted average number of shares | 25,000,000,000 |
| Net profit for the year | 72,785,213 |
| Earnings per share (for 100 shares) | 0.29114 |

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### 38. Dividends per share

The Company's dividend distribution in 2010 from the profit of 2009 is presented below.

| | Group | Total Cash Dividend Amount (TRY) | Cash dividend corresponding to a share having TRY 1 of nominal value | |
|---|---|---|---|---|
| | | | **Amount (TRY)** | **Amount (TRY)** |
| | **A** | 220,000 | 0.220000 | 22.0000 |
| | **B** | 54,780,000 | 0.220000 | 22.0000 |
| **Gross** | **Total** | 55,000,000 | | |
| | **A** | 187,000 | 0.187000 | 18.7000 |
| | **B** | 46,563,000 | 0.187000 | 18.7000 |
| **Net** | **Total** | 46,750,000 | | |

The Company's dividend distribution in 2010 from the profit of 2009 is TRY 55,000,000. Other than that, a dividend of TRY 1,815,040 is distributed to the personnel of the Company.

### 39. Cash generated from operations

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

### 40. Convertible bonds

None.

### 41. Redeemable preference shares

None.

### 42. Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying consolidated financial statements.

As at 31 December 2010, there are 78 ongoing law suit filed against the Company and total amount of these suits are TRY 1,549,984. TRY 2,341,230 of provision including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements. There are 49 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 1,213,068. Subsequent to the balance sheet date, there is no expected amount of law suits to be prosecuted against the Company.

### 43. Commitments

Total amount of commitments that are not included in liabilities:

| | 31 December 2010 |
|---|---|
| Guarantees and commitments | 469,281 |
| **Guarantees and Commitments** | **469,281** |

The Company does not have finance lease liabilities as at 31 December 2010.

# Anadolu Hayat Emeklilik A.Ş.

## Notes to the Consolidated Financial Statements As at 31 December 2010
(Currency: Turkish Lira (TRY))

### 44. Business combinations

None.

### 45. Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Turkey İş Bankası A.Ş. with a 62% of share.

b. In accordance with the Company's activities, items of sub-classifications

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

c. No expense is recognized in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the year presented in the recent financial statements of such participations; net profit/loss for the year and year covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

| | Carrying amount | Participation rate (%) | Year | Profit before income tax | Net profit of the year | Financial statements base | Independent auditor's opinion |
|---|---|---|---|---|---|---|---|
| İş Portföy Yönetimi A.Ş. | 10,902,159 | 20 | 31.12.2010 | 13,742,749 | 10,986,068 | SPK XI/29 | Unqualified |

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

The Company has obtained bonus shares through capital increases in associates from profit or capital reserves amounting TRY 809,335.

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

g. Related party disclosures

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

The related party balances as of 31 December 2010 is as follows:

| | 31 December 2010 |
|---|---|
| Türkiye İş Bankası A.Ş. – receivables from credit card collections | 46,766,891 |
| **Other cash and cash equivalents** | **46,766,891** |
| Türkiye İş Bankası A.Ş. – bank deposits | 62,673,024 |
| **Cash at banks** | **62,673,024** |
| Anadolu Anonim Türk Sigorta Şirketi – premium receivables | 7,891 |
| **Receivables from main operations** | **7,891** |
| Türkiye İş Bankası A.Ş. – commission payables | 1,739,234 |
| Milli Reasürans T.A.Ş. – premium payables | 76,979 |
| **Payable from main operations** | **1,816,213** |
| Anadolu Anonim Türk Sigorta Şirketi – premium payables | 2,674 |
| **Payables to shareholders** | **2,674** |
| İş Portföy Yönetimi A.Ş. | 933,993 |
| İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş. | 41,483 |
| İş Koray Turizm Ormancılık Madencilik İnşaat Taahhüt ve Ticaret A.Ş. | 376 |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 64,112 |
| **Other payables** | **1,039,964** |

The transactions with related parties during the year ended 31 December 2010 is as follows:

| | 31 December 2010 |
|---|---|
| Milli Reasürans T.A.Ş. - Premiums written, ceded | 664,308 |
| **Premiums written, ceded** | **664,308** |
| Milli Reasürans T.A.Ş. - Commission income from reinsurers | 116,776 |
| **Commission income from reinsurers** | **116,776** |
| Türkiye İş Bankası A.Ş. – interest income from deposits | 2,160,580 |
| **Investment income** | **2,160,580** |
| İş Portföy Yönetimi A.Ş. – portfolio management fee | 144,150 |
| İş Portföy Yönetimi A.Ş. – investment consultancy fee | 157,500 |
| İş Portföy Yönetimi A.Ş. – secondary market operations of marketable securities | 88,737 |
| **Investment expense** | **390,387** |
| Türkiye İş Bankası A.Ş. – commission of policy production | 15,964,133 |
| Türkiye İş Bankası A.Ş. – commission of premium collection and banking services | 1,126,192 |
| Anadolu Anonim Türk Sigorta Şirketi – premium paid | 908,839 |
| İş Portföy Yönetimi A.Ş. – portfolio management fee of pension funds | 9,634,293 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. – rent expense | 2,507,846 |
| Anadolu Anonim Türk Sigorta Şirketi – rent expense | 141,099 |
| **Other expenses** | **30,282,402** |

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

### 46. Subsequent events

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

### 47. Others

**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**

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 are as follows:

| Current Assets (Cash and Cash Equivalent Assets) | 31 December 2010 |
|---|---|
| Cash in transit | 52,404,769 |
| **Total** | **52,404,769** |

| Current Assets (Other Receivables) | 31 December 2010 |
|---|---|
| Securities reconciliation account | 5,693,029 |
| Other | 591,634 |
| **Total** | **6,284,663** |

| Short-term Liabilities (Other Miscellaneous Payables) | 31 December 2010 |
|---|---|
| Suspense accounts | 3,603,006 |
| Payable to suppliers | 1,833,526 |
| Other | 384,280 |
| Dividends to be paid | 859 |
| **Total** | **5,821,671** |

**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.

# Anadolu Hayat Emeklilik A.Ş.

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

(Currency: Turkish Lira (TRY))

**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, details of discount and provision expenses are as follows:**

| | 31 December 2010 |
|---|---|
| Provision no longer required | 487,406 |
| Provision expense for receivables from main operations | 13,850 |
| Unused vacation pay liability | (161,952) |
| Provision for employee termination benefits | (179,565) |
| Other provision expenses | 40,800 |
| **Provision expense** | **200,539** |