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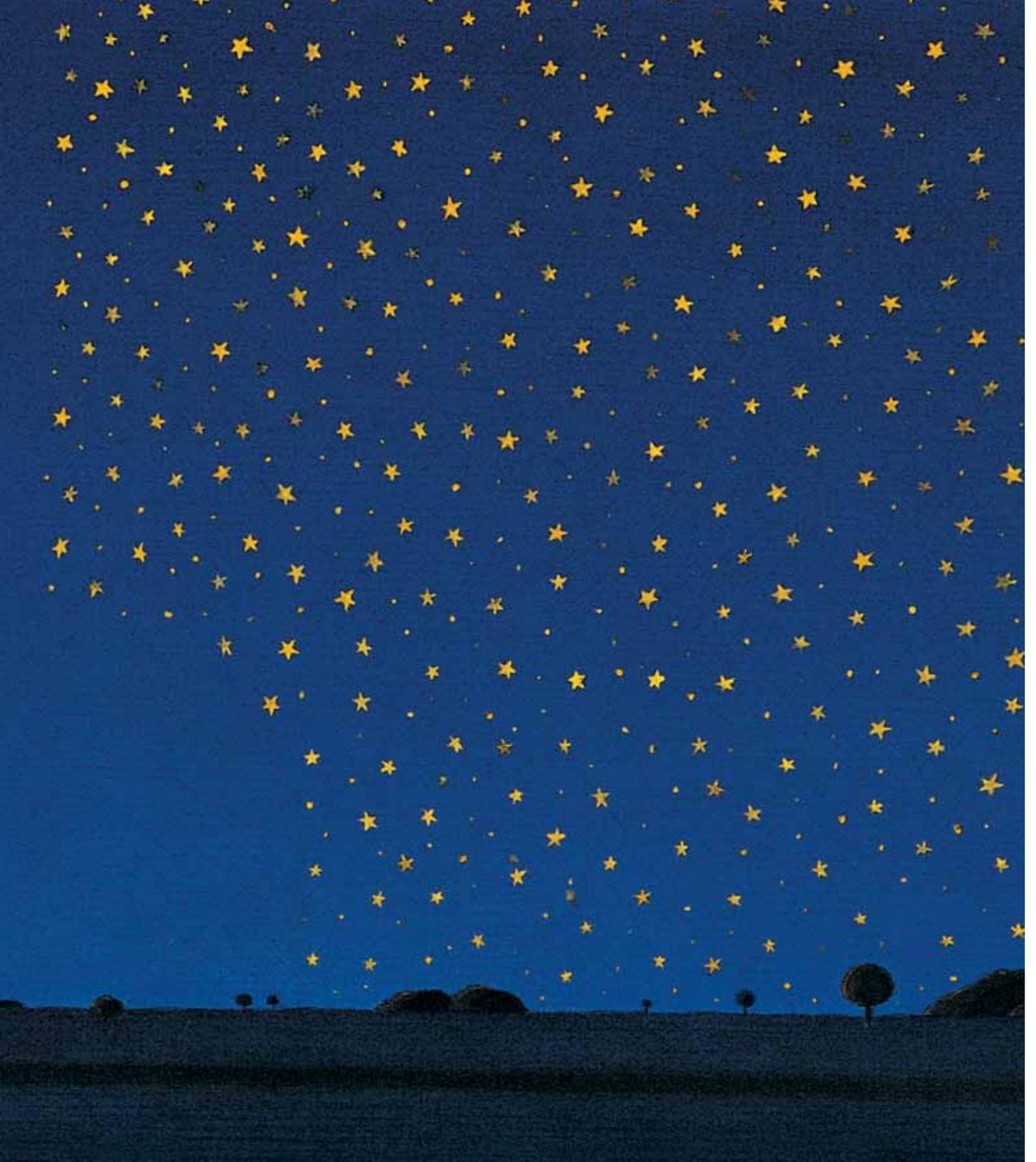
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Directory

# Pension Funds

# TRY 3 billion

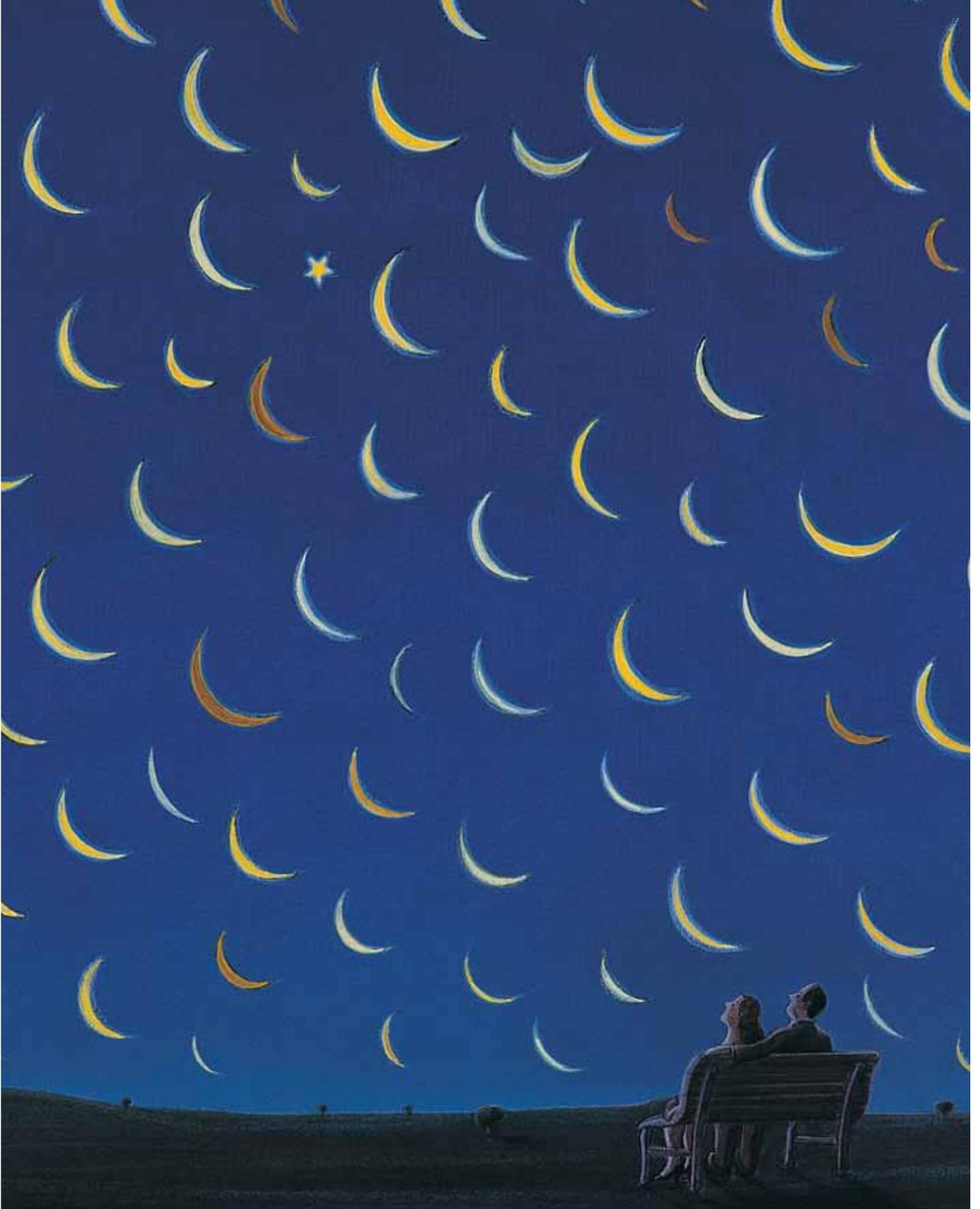
Anadolu Hayat Emeklilik has been the first and only company to surpass TRY 3 billion in total pension funds in 2011.



# Total Funds

# Sector Leader

Anadolu Hayat Emeklilik is the generator of the highest amount of funds in the sector on the basis of life insurance and private pension system aggregate.



# Anadolu Hayat Emeklilik in Brief

## Generator of the highest amount of funds in the sector

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 nearly 250 agencies.

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

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, Our Mission, Our Corporate Strategy

### 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.

**5,052**  
TRY million

**Life and Private Pension Funds** <sup>1,2</sup>

**2,026**  
TRY million

**Life Insurance Funds** <sup>2</sup>

**3,026**  
TRY million

**Private Pension Funds** <sup>1</sup>

**577**  
thousand

**Private Pension Participants** <sup>1</sup>

**5,648**  
TRY million

**Total Assets** <sup>3</sup>

**430**  
TRY million

**Shareholders' Equity** <sup>3</sup>

<sup>1</sup> Pension Monitoring Center 06 January 2012

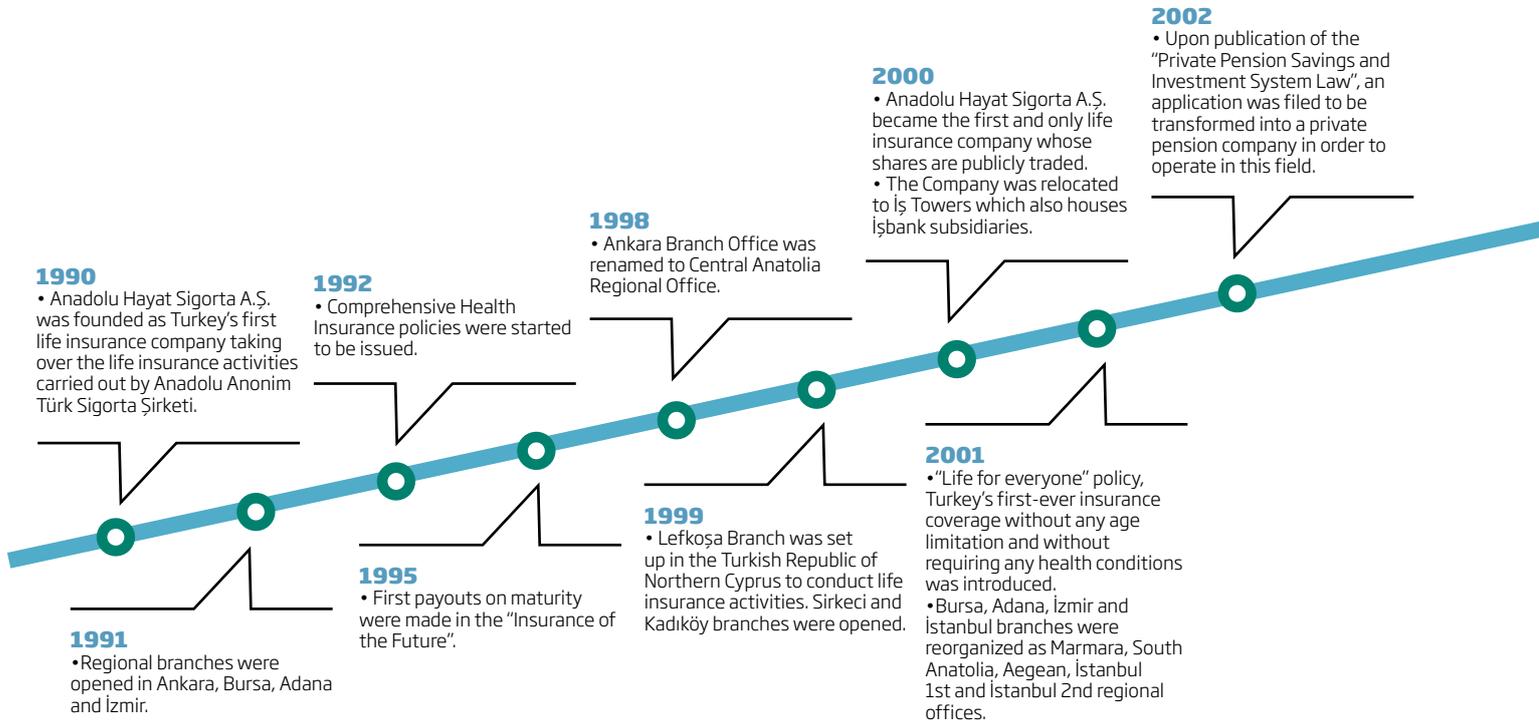
<sup>2</sup> Life Insurance Information and Monitoring Center 31 December 2011

<sup>3</sup> As at 31 December 2011

# Milestones

## Pioneering role in the Turkish insurance industry...

Founded in 1990 as Turkey's first life insurance company, Anadolu Hayat Emeklilik was able to take on a pioneering role in its line of business.



### 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.

### 2011

- Anadolu Hayat Emeklilik became the first company to reach TRY 3 billion in funds in the private pension system.
- Number of participants topped 577,000 people.
- "Shots from Life as Seen by Women" photography contest has been held for the fifth time.
- "Personal Accident Insurance" providing cover for potential risks resulting from accidents was put on sale for retail customers.
- Agency and cooperation agreements with Türk Ekonomi Bankası (TEB) expired.
- Anadolu Hayat Emeklilik took place among the companies selected by the Association of Turkish Notaries for transfer of savings to the private pension system.
- Number of health risks covered by the "Life Insurance with Serious Illness Cover" sold in combination with the Private Pension Plan rose from 9 to 21.
- An implementation was introduced enabling participants holding İşbank credit cards incorporating Maximum card features to transfer the MaxiPoints earned to their private pension accounts as additional contribution.

# Anadolu Hayat Emeklilik by Numbers

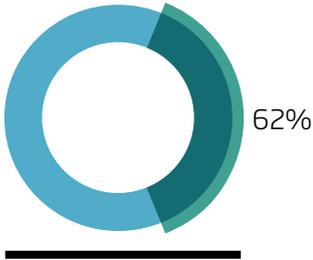
## Shareholding Structure

## Share Amount (TRY)

## Share (%)

Türkiye İş Bankası A.Ş.	186,000,000	62
Anadolu Anonim Türk Sigorta Şti.	60,000,000	20
Millî Reasürans T.A.Ş.	3,000,000	1
Publicly Held	51,000,000	17
Total	300,000,000	100

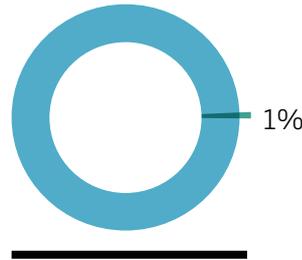
Türkiye İş Bankası A.Ş.



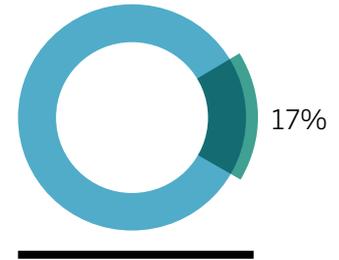
Anadolu Anonim Türk Sigorta Şti.



Millî Reasürans T.A.Ş.



Publicly Held



At the Anadolu Hayat Emeklilik Board of Directors Meeting held on 25 April 2011, it has been decided to raise the issued capital from TRY 250,000,000 to TRY 300,000,000; of the incremental amount of TRY 50,000,000, TRY 30,000,000 will be covered from extraordinary reserves, TRY 18,917,988 from statutory reserves, TRY 1,001,912 from inflation adjusted statutory reserves, and TRY 80,100 from gain on sales of investment in equity. In this frame, by its decision dated 17.06.2011 and numbered 19/563, the Capital Markets Board of Turkey approved the registration of shares with a nominal value of TRY 50,000,000 to be issued by reason of the capital increase before the Board, and the registration has been completed as of 28 June 2011.

Of the 30,000,000,000 shares representing the capital in the amount of TRY 300,000,000, 100,000,000 consist of Class A shares, and the remaining 29,900,000,000 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 nomination of the Board Directors. Six members of the Board Directors are elected by the General Assembly from amongst candidates nominated by Class A shareholders, and three from amongst those nominated by Class B shareholders. The Company's Articles of Incorporation do not allow creation of new Class A shares in capital increases.

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

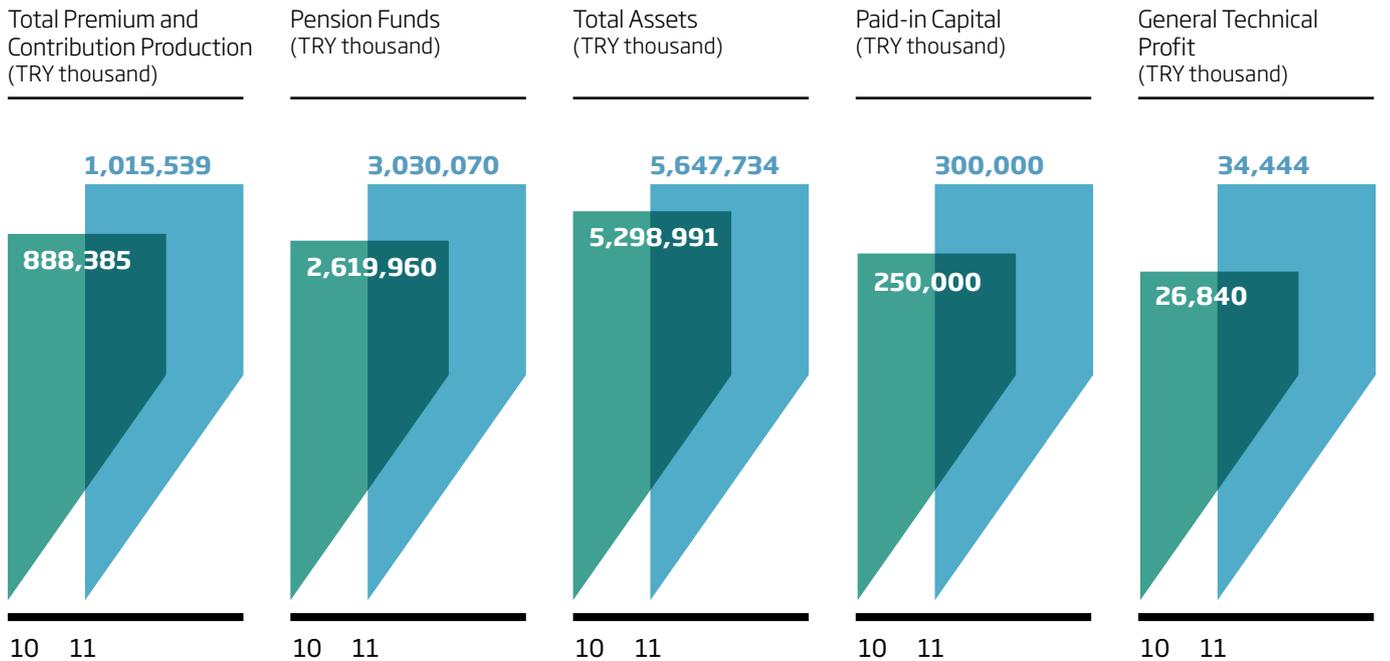
Shares held in the Company by the Chairman and members of the Board of Directors, CEO and Deputy Chief Executive Officers are negligible.

# 14.3% growth in total premium and contribution production

In 2011, total premium and contributions of Anadolu Hayat Emeklilik grew 14.3% and reached TRY 1,016 million.

Financial Highlights (TRY thousand)	2010	2011	Change (%)
Total Premium and Contribution Production	888,385	1,015,539	14.3
Mathematical Provisions and Profit Sharing Provisions	2,090,760	2,027,283	-3.04
Pension Funds	2,619,960	3,030,070	15.7
General Technical Profit	26,840	34,444	28.3
Total Assets	5,298,991	5,647,734	6.6
Paid-in Capital	250,000	300,000	20.0
Shareholders' Equity	450,646	430,162	-4.5
Financial Income	70,034	57,222	-18.3
Pretax Profit	86,832	78,085	-10.1
Net Profit	71,397	64,670	-9.4

Key Ratios	(%)	(%)
Pretax Profit/Shareholders' Equity	19	18
Premium and Contribution Production/Total Assets	17	18
Shareholders' Equity/Total Assets	9	8



# Chairman's Assessment of 2011



PPS had another successful year despite the negative repercussions of global turbulences on the markets.

## **2011 was cramped with volatilities and uncertainties for the global economy.**

In 2011, the global economy was confronted with new issues with the constantly increased problems arising from high public debts that inflicted developed economies, particularly EU and the US. The economic growth decelerated from the second quarter, a result of contracted domestic demand owing to the developed countries' precautions against financial issues that proved inadequate and uncertainties in relation to the future. By mid-year, the troubles that led to uncertainty in the worldwide economy became more pronounced. These included the increased depth of the debt issues in Europe and USA, the

decelerated Chinese economy, the jolt in the economy caused by the Japan earthquake, unemployment in developed countries and signals of overheating in emerging countries, political and social unrest in the Middle East and North Africa, and the hike in oil prices.

The fragility of the markets increased due to the gradually increasing depth of the debt issues that inflict the euro zone, and the spillover of the debt crisis in Greece to Italy and Spain, followed by central countries led by France. The medium-term solution of the problem lies in the rapid progress to be achieved by Europe toward becoming a financial and political union.

The rise in sovereign risks adversely impacted the banking sector that carries high levels of government bonds in its balance sheets. High debt stock and budget deficits, combined with poor growth performances, further fueled concerns about the refinancing of debts in this group of countries. The banking sector began experiencing problems in funding while global risk appetite diminished.

At the end of 2011, the public debt crisis in Europe was nurturing anticipations of a new stagnation in global economy.

# A consistent approach to service paying constant regard to customer satisfaction...

The success is enabled by the consistent approach to service that focuses on the future as much as the present, makes maximum use of available means to develop products tailored to customer needs, and pays constant regard to customer satisfaction.

## **Turkey presents a more positive outlook.**

Turkey, on the other hand, presents positive elements that include strong growth, a healthy banking industry and a respectable budget performance, along with significant fragility factors such as the high current deficit and inflation.

The most evident risk element for the economy is the ratio of current deficit to the GDP that rose to 10%. The key reasons for failure to overcome the vicious circle in this department are the gradually increasing tendency of the imports to outgrow exports and insufficient service revenues that will counter the foreign trade deficit. On another wing, the Central Bank of the Republic of Turkey (CBRT) has implemented the policy mix formulated against this risky course of current deficit, and linked policy rate to inflation/growth and the required reserve ratios to credit expansion. By this practice, the CBRT intended to keep short-term capital moves within a reasonable range, to slow down the expansion in loans, and to lend support to economic growth when necessary.

The inflation, which has started floating in two-digit numbers, has risen above projections due to the excessive depreciation of the Turkish lira and it is anticipated to adopt a downturn in the second half of 2012.

## **The private pension system will be a main pillar that supports development.**

The private pension system (PPS) had another successful year in 2011 in terms of expansion, despite the volatilities in the world that negatively reflected on the markets. However, it has been a year of limited performance in pension funds, in spite of the growth in the system, owing to the declined interest rates and the value losses on the stock exchange during 2011.

Having created long-term sources of funding worth nearly TRY 15 billion to-date for the national economy, the PPS has shown rapid growth both in fund size and number of participants each year; however, compared with its peers across the world, the level attained in Turkey still remains well below those in developed countries.

The growth in PPS is expected to gain speed with the support extended by tax incentives and other regulatory arrangements. Solutions that will improve product diversity and premium production capability will contribute to increasing savings ratio while keeping the investment ratio uncut, and to reducing current deficit with the support given to the economy by mechanisms that create long-term funding such as the PPS.

## **The growth is founded on the trust our customers place in us.**

Established in 1990 as Turkey's first life insurance company, Anadolu Hayat Emeklilik has succeeded in being an organization that pioneers the field it operates in. Delivering world-class services and products to the Turkish people since its debut, our Company has steered the industry through its practices and novelties. In 2011, Anadolu Hayat Emeklilik has been the first and only company to exceed TRY 3 billion in the amount of private pension funds.

Underpinning the Company's success is the consistent approach to service that focuses on the future as much as on the present, makes maximum use of its means and facilities to design products tailored to customer needs, and always keeps a close eye on customer satisfaction.

I would like to extend my thanks, first and foremost, to our policyholders, shareholders, business partners and employees who all play a big part in the achievements of Anadolu Hayat Emeklilik and who, with their invaluable support, make it possible for us to create value and contribute to the national economy.

Yours sincerely,



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

## Message from the CEO



In 2011, Anadolu Hayat Emeklilik has been named once again the best brand in the sector on the basis of evaluations by various independent organizations.

### **We are the leader company in the pension sector.**

Anadolu Hayat Emeklilik finished 2011 posting successful results once again, and total pension funds managed by our Company topped TRY 3,026 billion and the number of our participants closed in on 577 thousand. These figures make our Company the sector's leader with market shares of 21% in fund size and 22% in the number of participants.

As the production capacity in the sector is augmented by new company entries into the market, our capabilities and strategy are endorsed by the solidified top rank position of Anadolu Hayat Emeklilik as the most preferred pension company.

### **We have achieved our targets in life branch.**

Anadolu Hayat Emeklilik is among the leading companies in the life branch with life premium production of TRY 348 million and a market share of 13% in 2011. In the reporting period, our Company sustained its leadership in

the sector with total mathematical provisions (insured assets) in the amount of TRY 2,027 million. Total coverage provided by the Company to nearly 1.2 million life insurance policyholders is worth TRY 34 billion.

During 2011, we strategically opted for concentrating on increasing the number of our policyholders and premium production in insurance products with risk coverage, in view of the contraction in endowment life insurance and annuity contracts. By the end of the year, we had secured almost 60% growth in premiums on these products and particularly on protection/support products in connection with loans offered to customers via the bancassurance channel, and outperformed the sector's average.

### **2011 has been a stellar year for private pension.**

In 2011, the private pension system (PPS) captured the highest rise of the past three years in the number of participants, adding nearly 364,000

new participants to the system to reach 2.6 million people. Pension funds, on the other hand, expanded 19% in size and went up to TRY 14.3 billion. As the anticipated rapid growth of the PPS in 2011 turned into reality, the expectations for the year ahead are even higher.

While PPS refreshed confidence in the system on the back of 2011 results, adversities in markets reflected on returns derived on funds. However, looking back at the eight-year history of the system, the PPS funds keep contributing to the economy generating a nominal return of 188% and a net return of 50%. It will be recalled that PPS funds mostly constituted by stocks had suffered significant losses also in 2008, which were quickly compensated in the following years. It would be only just to take this opportunity to underline the fact that PPS is a long-term investment instrument.

## We have posted successful results also in 2011...

Our Company is the sector's leader with respective market shares of 21% and 22% in pension funds and in the number of participants. One of the leading companies in life branch with a share of 13% of the market, Anadolu Hayat Emeklilik is the leader of the sector also in terms of mathematical provisions (insured assets).

### **We are working to help PPS expand.**

The joint efforts of all companies engaged in the sector have been instrumental in the success of PPS. While companies eagerly work toward rapid growth, utmost importance is placed on collective publicity and communication activities to create an awareness of saving up and future.

For Anadolu Hayat Emeklilik, 2011 has been a successful year that marked the highest number of PPS contracts issued by the Company. In the reporting period characterized by continually rising sales and intermediation costs, our Company, being one of the pioneers of the PPS, put special emphasis on optimally capitalizing on the growth potential of the system and on focusing on sales outlets, as much as on profitability.

We are striving to improve our strategy in terms of organization and human resources, as well as technological infrastructure, and support them with investments. To this end, we continued to expand our teams, we have succeeded in constantly enhancing the service capability and quality of our customer relationship units, in particular, and we have become one of the most successful companies in complaint handling.

### **The ultimate goal is to increase savings without curbing the investment.**

PPS bears much significance with respect to increasing savings in Turkey. A low 2.0% of the GDP, pension funds indicate at a significant growth potential when compared with the average ratio in excess of 70% in the OECD countries.

Similarly, the insurance industry will take on an important role in increasing long-term savings especially through life insurance products, as is the case in the rest of the world. Life insurance premium production per capita is a mere USD 20 in 2010 in Turkey, as opposed to the worldwide average of USD 364. Successful premium increases that have been going over 20% in the recent years in the sector will not be sufficient to achieve figures close to the world average soon.

A comparison of the macro parameters and demographics in the world and in Turkey puts insurance in the top ranks within sectors promising highest growth potential in Turkey. In this respect, it is our common target and expectation that 2012 will be a year of breakthrough for the insurance industry and the PPS, once the new legislation and infrastructure arrangements being developed by the regulatory authority are enforced.

### **There is a need for arrangements that will speed up participation in PPS and reduce dropouts.**

In order to sustain the successful growth rate of the PPS, it is crucial to design tax incentives, which make up the most important element of the system, so as to encompass all participants, to promote remaining within the system until the end of the retirement term, and to discourage early dropouts.

### **We can add further momentum to the positive performance in life insurance.**

In 2011, the overall sector's premium production in life insurance totaled TRY 2.7 billion, up 23% year-on-year.

As protection/support products gained increased weight within life insurance products, the overall sector averaged 50% increase in premiums, particularly in annuity and long-term death insurance products sold as collateral for bank loans. While protection/support products take a very low share in total insurance premium production in the world, the significant weight these products gained in Turkey acts as a telling factor upon the profitability of life insurance companies.

Work is underway on regulatory arrangements that will trigger the development of annuity contracts and endowment life insurance in Turkey. Once these modifications are put in place, we can expect significant rises in premium production also on life insurance in our country. Total insurance production worldwide was worth USD 4.3 trillion in 2010, with 58% thereof generated on life branch. The same ratio is only 15% in Turkey. Increasing this ratio quickly will be possible only

through expanding saving/endowment and income/annuity insurance.

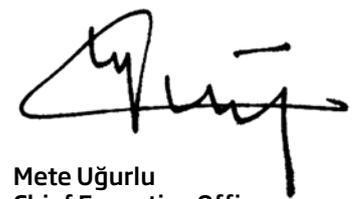
### **Customers will also be in our focal point.**

Turkey's first and only publicly-traded pension company, Anadolu Hayat Emeklilik sustains and further increases its activities focused on customer satisfaction and loyalty through its product diversity and solutions developed, effective reach enabled via extensive distribution channels, service quality standard and investment performance. The Company's success is best exhibited in the level of brand recognition and preference by the public.

In 2011, Anadolu Hayat Emeklilik has been named once again the best brand in the sector on the basis of evaluations by various independent organizations. Planning its communication activities in a manner to touch the customers most effectively and to contribute to brand recognition, our Company leads the sector by a large margin in the number of news articles published and their advertising value equivalency according to 2011 assessments of the Media Monitoring Center.

As we move ahead with the slogan "Together We Can Make A Difference" in 2012, I would like to extend my sincere thanks to our policyholders, employees, business partners, shareholders and particularly our parent company İsbank for their trust, support, and invaluable contributions that made our 2011 results possible.

Yours sincerely,



**Mete Uğurlu**  
Chief Executive Officer

# Developments in the World and Turkish Economies and Sectoral Overview in 2011

## The World Economy

The pace of recovery of global economic activity is estimated to have lost momentum in 2011, a trend expected to live on in the period ahead.

In the second half of 2011, risks pertaining to global economy have regained an upward tendency. The increased macroeconomic risk has been driven particularly by the concerns over the sustainability of high public debts in the euro zone and the ongoing problems in the housing and labor markets in the US economy. In this frame, market and liquidity risks rose on a year-to-year basis. Increased cost of funding for banks, coupled with lower-than-projected growth rates in developed countries, tagged along the credit risk. Deteriorated global risk perception and loss of expected economic activity in developed countries will seemingly affect emerging countries, as well.

While post-crisis expansionary monetary and fiscal policies enforced in developed countries fell short of producing the expected effect in driving economic recovery, these countries suffered significant deterioration in their budget balances, as well. On the emerging countries front, tightening precautions introduced particularly during the first half of the year in an effort to alleviate inflationist pressures resulted in lower growth as compared with 2010.

Consequently, macroeconomic risks and inflationist pressures increased in global economy in 2011.

## The Turkish Economy

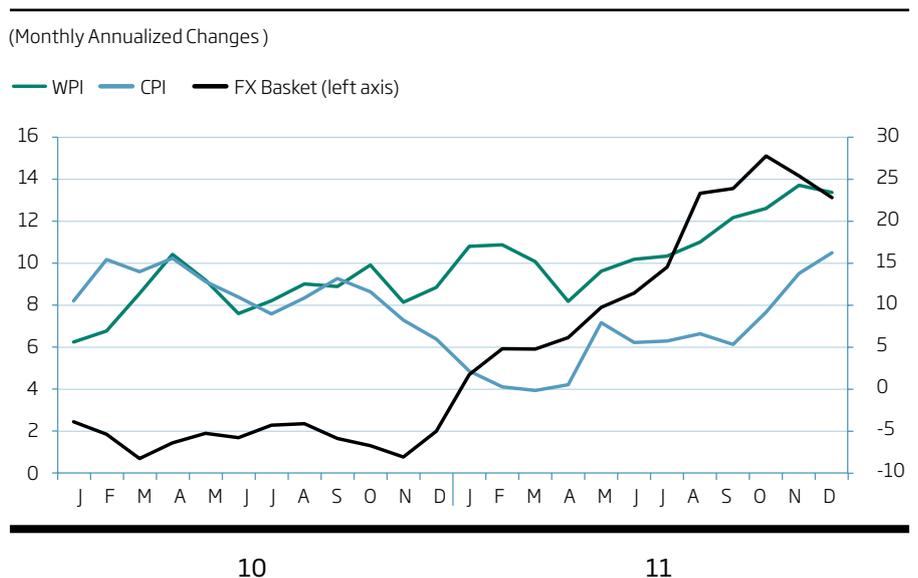
After attaining 9% growth in 2010, the Turkish economy performed strongly through the first three quarters of 2011 as well and registered 9.6% growth on a year-to-year basis. The growth is estimated to be in the region of 8.3% at year-end 2011 in line with the continued weak outlook of the euro zone economy that represents Turkey's primary export market, and the gradually decreasing domestic demand owing to the measures adopted by policymakers.

In 2011, the current deficit sustained its tendency to expand, which had been initiated by the Turkish lira that appreciated during the post-crisis recovery period, strong domestic demand, and increased foreign trade deficit. As at November 2011, the current deficit for the past twelve months reached USD 77.8 billion. Nevertheless, the policies pursued to slow down the rate of credit expansion in the first half of the year with a view to taking the domestic demand under control led to decelerated increase in

GDP Growth Rates (%)



Inflation & FX Basket (%)



# Life branch and the PPS completed 2011 with growth.

In 2011, premium production in life insurance grew 23%. The private pension system, on the other hand, expanded 19% in total funds.

exports, along with a gradual slowdown in economic activity in the last quarter of the year. In this framework, the year-end current deficit is estimated to be in the region of USD 74.3 billion.

In 2011, the central government budget maintained its solid performance of 2010 in connection with high tax collections resulting from the continued fiscal discipline and strong domestic demand.

The rise in commodity prices led by oil pushed production costs up and created an upward pressure on the PPI. The depreciation of the Turkish lira throughout the year drove import costs, thus reflecting significantly on producer prices inflation. Following a course aligned with the targets until September, the CPI rose noticeably through the rest of 2011, owing to the depreciated Turkish lira, the cost pressure exerted by the high rise in PPI, and adjustments in the administered prices. As such, the CPI was well above the 5.5% target of the CBRT and realized as 10.45%.

CBRT started controlling liquidity strictly, and introduced a new policy mix that uses multiple instruments and gives the foreground to price stability, which has an overall tightening effect.

## Life Insurance and Private Pension Sector

During 2011, 27 life insurance and pension companies realized production in life insurance in Turkey, with 14 of them also operating in the private pension sector.

On an annual basis, premium production in life insurance was up 23%, amounting to TRY 2,686 million. The top 10 companies in the sector were responsible for 86% of this production figure that corresponded to 15.6% of the total premium production by the entire insurance industry.

Having completed its eighth year in Turkey in October 2011, the PPS had closed in on 2.7 million participants as of 06 January 2012, with the participants' total funds amounting to TRY 14,302 million. Total amount of contributions

available to the sector was announced as TRY 12,437 million on the same date.

On the basis of shares the distribution channels take of premium production in life branch, the share of bancassurance went up from 70% at year-end 2010 to 75% at year-end 2011. The growth, particularly in protection insurance, is anticipated to persist in line with the credit expansion, with continued prevalence of bancassurance in this branch.

The private pension system achieved nearly 19% expansion in fund size in 2011; the PPS is projected to reach TRY 18 billion in fund size and 3 million people in the number of participants by year-end 2012, provided that economic conditions sustain their current course.

Total Premium Production - Life Insurance (TRY billion)



Total Funds - Private Pension System (TRY billion)



Total Contributions - Private Pension System (TRY billion)



# 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. Drawing its strength from its service approach that gives the foreground to customer satisfaction, and from the financial strength and corporate culture of its parent company İşbank, Anadolu Hayat Emeklilik once again sustained its profitable and stable growth last year.

Along these lines, it is among top priorities for Anadolu Hayat Emeklilik to render corporate success continuous and to be a strong and reliable company offering service in the Turkish insurance industry. Carrying out its activities in a sense of power, confidence and responsibility derived from its position as one of the leading companies in the sector, Anadolu Hayat Emeklilik targets to improve its performance in productivity, profitability, and growth by making optimum use of its know-how, experience and capital accumulation.

Anadolu Hayat Emeklilik remains loyal to its mission to develop and nurture in people an awareness of the need to safeguard their futures, offer financial solutions that satisfy their needs, and contribute to the development of the national economy by creating long-term, stable funds.

The Company's vision is to be Turkey's top and most preferred life insurance and pension company in all aspects and to export its services against the backdrop of our world that constantly increases the degree of globalization and integration, particularly in economy.

Along these lines, Anadolu Hayat Emeklilik formulated its primary goals as follows:

- It will remain a priority for the Company to effectively capitalize on the country's potential and opportunities presented by economic developments, and achieve constant improvement in terms of the customers serviced and the value offered to them. In achieving these, we will derive our strength from the trust held in the Company, its business partners, investors, and products.
- Anadolu Hayat Emeklilik targets to maintain its long-going leadership in mathematical provisions in the life insurance branch. The Company set it a key target to preserve its sectoral leadership in the private pension branch captured in total funds, contributions, number of participants and number of contracts.
- The Company aims to enhance the capacity and synergy in bancassurance created with more than 1,700 bank branches covering the extensive network of 1,201 İşbank branches, and 544 branches of HSBC, Anadolubank and Albaraka Türk.
- With nearly 250 agencies as at year-end 2011, Anadolu Hayat Emeklilik controls a powerful and active private agency network. The Company will keep effectively and efficiently increasing the synergy created with the agency network, which has been contributing value to the company.
- Despite the low percentage of insurance ownership, Turkey offers a high potential with its young and dynamic population for the insurance and pension sectors. Anadolu Hayat Emeklilik will focus on creating new sales opportunities through alternative distribution channels such as the Internet, call center and mobile applications, besides bank and agency channels, and on improving these channels.
- Anadolu Hayat Emeklilik will maintain its pioneering position in the sector through its innovative products and practices.
- In recognition of customer satisfaction, Anadolu Hayat Emeklilik set its key priorities as delivering the best in service to its existing customer portfolio and constantly upgrading the capacity and service quality of customer relations and the call center.
- Continued importance will be given to keeping the company employees and distribution channels informed on new practices and current requirements, and to training them in parallel.

# An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2011

Founded in 1990 as Turkey's first life insurance company, Anadolu Hayat Emeklilik successfully completed its 21st year in operation in 2011.

## • Highlights from 2011:

- Anadolu Hayat Emeklilik captured 13% share of the market with TRY 348 million in premium production in life insurance branch and remained the leader by a large margin with total mathematical provisions that topped TRY 2,027 million.
- Based on the Pension Monitoring Center (PMC) data released on 6 January 2012, Anadolu Hayat Emeklilik achieved 14.1% and 15.5% growth in the number of participants and total funds, respectively, on a yearly basis. Having reached TRY 3,026 million in total funds and 576,819 people in the number of participants, Anadolu Hayat Emeklilik is the market's leader in both departments with respective market shares of 21% and 22%.
- By year-end 2011, total assets of Anadolu Hayat Emeklilik went up 7% and attained to TRY 5,648 million on a yearly basis.
- TRY 64.7 million posted in net profit indicated yet another successful year in terms of sustainable profitability.

- Anadolu Hayat Emeklilik continued to enhance service quality and customer satisfaction, while delivering differentiated life insurance and private pension products to its policyholders.
- The Company kept making effective use of distribution channels. High efficiency and effectiveness have been assured in bancassurance implementations.
- Anadolu Hayat Emeklilik prudently implemented the principles of transparency and achieving full compliance with corporate governance principles and applicable legislation that sets the scope of its operations.

## The first company exceeding TRY 3 billion in fund size in the private pension system

Reaching 500,000 participants in 2010 and thus becoming the first company to exceed this mark in the private pension system, Anadolu Hayat Emeklilik topped TRY 3 billion in total funds, according to the PMC data of 14 October 2011, authoring yet another first. The Company captured TRY 3,026 million in fund size as at 6 January 2012, which accounts for 21.2% of the sector's aggregate.

Based on the PMC data released on the same date, the Company's total invested funds amounted to TRY 2,558 million, and the number of participants rose to 576,819.

## A product portfolio focused on fully servicing to diverse customer needs

Anadolu Hayat Emeklilik is focused on fully servicing to the diverse needs of individual and corporate customers. As of year-end 2011, Anadolu Hayat Emeklilik offers a product portfolio covering 16 individual and 173 group pension plans and 19 pension funds with different content and fees. The rich selection of products allows participants to specify their fund preferences according to their own investment experience and risk versus return expectations.

Anadolu Hayat Emeklilik manages its pension funds in cooperation with three asset management companies: İş Portföy Yönetimi, HSBC Portföy Yönetimi and TEB Portföy Yönetimi.

## Effective and coordinated use of the distribution network

Anadolu Hayat Emeklilik reaches its customers via;

- Regional offices in İstanbul (2), Ankara, Adana, Bursa and İzmir, and a branch in the Turkish Republic of Northern Cyprus,
- direct sales team,
- bank branches that serve as the Company's agencies,
- private agencies network, and
- alternative distribution channels (call center and the internet).

The Company works in a coordinated fashion to increase efficiency and productivity within the frame of its strategy to possess strong distribution channels.

## An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2011

### The most extensive and effective implementation of bancassurance in Turkey

Anadolu Hayat Emeklilik is the pension company possessing the most extensive bancassurance delivery channel in Turkey.

In this department, the Company has cooperated with İşbank, HSBC Bank, Anadolubank, and Albaraka Türk in 2011.

Anadolu Hayat Emeklilik is presented with a unique competitive advantage by the 1,201 branches, cutting-edge technological infrastructure, and efficient alternative distribution channels of its parent company, İşbank.

Through the bancassurance channel covering a network of more than 1,700 branches, Anadolu Hayat Emeklilik delivers its private pension and life insurance products to a broad customer base. In 2011, the bancassurance channel was responsible for 79% of the Company's new participant acquisition for private pension and for 40% of its premium production on life insurance.

### Future Planning Specialists: A direct sales team of 305 people in 53 cities

The direct sales team of Anadolu Hayat Emeklilik is operating under the title Future Planning Specialists, and possesses great significance within the distribution channels.

Constituted of 305 people, the direct sales team offers service in İşbank's branches in 53 provinces. The team, responsible for 52% of new private pension plan sales in 2011, is assigned with the marketing and sales of private pension and life insurance products.

### Private agencies across Turkey

Anadolu Hayat Emeklilik commands a strong network of nearly 250 agencies across the country.

Having generated sales of significant amounts both in endowment life insurance and private pension policies also in 2011, agencies took 30% share in premium/contribution production inclusive of premiums on policies sold jointly with banks.

### Successful campaigns, successful results

During 2011, Anadolu Hayat Emeklilik conducted campaigns in private pension and life insurance, aiming to enhance customer satisfaction, promote cooperation among sales channels, and increase sales.

The successful results of the campaigns that were executed via agencies, banks and the direct sales team contributed to improve performance of Anadolu Hayat Emeklilik.

### Constantly increasing importance of alternative distribution channels

Anadolu Hayat Emeklilik keeps increasing the use of alternative distribution channels, mainly the call center and the internet, in its marketing activities, in providing faster pre- and after-sales services and enhancing service quality.

Within the scope of the alternative distribution channels activities carried out in 2011, roughly 622 thousand inbound calls and 46 thousand e-mails have been responded to, while 486 thousand outbound calls were placed. Moreover, product purchase demands received by the Company have been efficiently fulfilled.

The corporate website of Anadolu Hayat Emeklilik accessible at [anadoluhayat.com.tr](http://anadoluhayat.com.tr) is constantly upgraded to provide existing and potential customers with

easy access to the most up-to-date information and announcements regarding products and services, and to facilitate easy submission of their queries, information requests, suggestions and complaints. The website attracts great attention and interest with its calculation tools 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 uninterruptedly continues with its activities targeting corporate participants that it deems critical for the development and viability of the private pension system.

In 2011, the Company carried on with its campaigns aimed at increasing the sales of group pension plans, especially employer-sponsored ones. The Company also launched the E-Branch in 2011, which gives fast and easy reach to various information that are important for corporations. Available for use by corporate representatives, the information includes plans, savings, and returns on funds related to group pension contracts, among other data.

### Private Pension Intermediaries Exam

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 3,595 people.

# Supporting the social and cultural development of the Turkish women...

Anadolu Hayat Emeklilik considers women as the primary source of our country's progress and designs its social responsibility projects on this axis.

## "Shots from Life as Seen by Women" 2011



Woman's Struggle for Freedom,  
Ece Polen Erciyas (First Prize)



Apocalypto,  
Ayşe Hayta (Second Prize)



Untitled,  
Ebru Çınar (Third Prize)

### The key asset of Anadolu Hayat Emeklilik: Human Resource

The key driver behind the successful performance of Anadolu Hayat Emeklilik is its experienced, creative and dynamic human resource espousing the corporate culture and guided by common sense in their actions.

At year-end 2011, Anadolu Hayat Emeklilik had a total of 695 people on its payroll. Boasting a young team, 68% of the Company's human resource consists of employees in the 25-34 age interval. One of the most preferred employers, the Company is differentiated with the human resources policy adopted, and contemporary training and career opportunities offered.

Anadolu Hayat Emeklilik provided a total of 2,419 hours of training to its employees in 2011, with the programs focusing mostly on the private pension system, and professional and personal development. Average training time per person was 17 hours.

### Social responsibility projects

Anadolu Hayat Emeklilik considers women as the primary source of our country's progress. Accordingly, the Company designs its social responsibility projects so as to support their improvement.

### "Girls: The Insurance of our Future" Project

Conducted with the support of the Ministry of National Education and in cooperation with ÇYDD (The Association to Support Contemporary Living), the project that is dedicated to support girls who are financially unable to continue their education began its seventh year in 2011. The project initially started with 500 girls and had many graduates during the past six years. Furthermore, 100 new high school students became part of the project in 2010-2011 academic year.

Female students study in the insurance departments that were opened by the Ministry of National Education at Trade Vocational High Schools. For further studies, they attend the Vocation School of Banking and Insurance with Anadolu Hayat Emeklilik's scholarship. Anadolu Hayat Emeklilik keeps giving support to the Girls: The Insurance of our future who continue their education in 24 provinces.

Since 2008, female employees of Anadolu Hayat Emeklilik offer mentoring to "Girls: The Insurance of our Future", under the name of "Life Volunteers". Through mentoring, Life Volunteers help the female students to have a better understanding about their future professions, and additionally, offer their suggestions any time they need.

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

"Shots from Life as Seen by Women" photography competition organized for the fifth time in 2011 aims to contribute to the social and cultural development of the Turkish women, and offer them a platform where they can freely express themselves through photographs.

1,434 participants submitted 6,454 photographs to the competition that was themed "About Life", and was open to all amateur and professional female photographers. 44 photographs that are 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 eleven weeks in Istanbul, Ankara and Bursa.

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

"Shots from Life As Seen by Employees" photography competition which was initiated in 2008, seeks to promote intracompany communication, as well as giving the Company employees a chance to express the way they see life. Prior to the competition photo safaris were organized to share photography techniques and the beauty of the art of photography.

## An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2011

### Communication activities

As the sector leader, Anadolu Hayat Emeklilik carried out advertising and public relations activities aimed at maintaining its strong image before the stakeholders and supported the presentation of the private pension system to the potential customers. The company took on innovative activities built on diverse approaches that caught the target audience's attention.

- Aimed to underline the importance of the private pension system through the message "Don't leave your future up to chance", the advertising campaign "Why Don't We Get One?" was aired on TV, radio; posted on the internet and mobile media and published in newspapers and magazines.
- A corporate image campaign was conducted that highlighted the company's sectoral leadership backed by numeric data in the newspapers and magazines.
- Joint campaigns with business partners were conducted in 2011. Co-executed with İşbank, "Maximum Saving Operation: Private Pension

Campaign" was publicized in television, radio, newspapers and outdoor media.

- Based on the corporate slogan "If the question is about the future, then the answer is: Anadolu Hayat Emeklilik", informative screens developed for thematic TV channels, provided answers to the target audience's questions about private pensions and concurrently supported the corporate image. Question & Answer ads were designed in parallel with the informative screens and published in newspapers.
- In order to familiarize the youngsters with the private pension system using an unconventional approach, a digital campaign was carried out via [www.geleceginmeslekleri.com](http://www.geleceginmeslekleri.com) (professions of the future) website. While the website featured examples of fancy retirement activities, an award was given to the winner among those who participated in the competition and suggested new professions. The campaign was publicized on the radio, internet, mobile media and in newspapers.

- Generic spots continued to be aired on nine radio stations throughout 2011.
- "Shots from Life as Seen by Women '11" photography competition was advertised on TV, radio and in newspapers.
- "Hayata Dair" (About Life), the internal communication magazine, which is realized with the voluntary teamwork of Anadolu Hayat Emeklilik's employees, printed in 2500 copies, continued with its publication life.
- Internal communication activities went on through various organizations. In this frame, football, basketball and rowing teams were formed to promote internal communication and corporate awareness.

### Samples from the communication activities in 2011



'Why Don't We Get One?'



Professions of the Future



Maximum Saving Operation



Question & Answer

# Practices Concerning New Services and Activities

From a macroeconomic perspective, 2011 was marked by worldwide developments, whose repercussions were felt also in Turkey. From the standpoint of insurance and private pension industry, the highlights of 2011 included regulatory arrangements, natural disasters and increased competition.

Project-based transformation and management concept espoused by Anadolu Hayat Emeklilik played an important part in anticipating and managing these repercussions.

In this context, the company executed various projects during the reporting period, which had the following objectives:

- Increasing the depth of new sales cooperations
- Designing and introducing products incorporating new features

- Ensuring efficiency and automation of work-flows
- Building on analysis and reporting capabilities
- Upgrading quality of customer service
- Improving the efficiency of alternative distribution channels

These projects will be ongoing during 2012 on a need-basis.

Anadolu Hayat Emeklilik recognizes the significance of flexibility and agility for quickly responding to requirements resulting from macroeconomic developments, competitive competitions, and regulatory arrangements, as well as for anticipating and proactively taking position for opportunities and risks. The Company is convinced that such agility can only be enabled through efficient workflows and reliable, easily accessible, manageable and integrated

technological infrastructure. In this frame, the Company intends to give priority to the following activities in 2012:

- Develop business intelligence and decision-support system and increase efficiency in business analytics
- Devise solutions for innovation and new technologies
- Build corporate architecture
- Focus on selling products and creating opportunities through alternative distribution channels
- Upgrade service quality of change management and IT efforts

Established in 1924 in Ankara, İşbank has made ever-increasing contributions to the Turkish economy in the 87 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 has embraced the whole society in line with its mission and 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's large scale and perfect service delivery strength is defined by its extensive service delivery network that consists of:

- 24.887 employees
- 1.184 domestic and 17 international branches
- 4.538 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 2011, İşbank continued to further improve the diversity of its products and services offered via alternative distribution channels and to consistently grow transaction volumes.

Having pioneered the establishment and growth of many new industries in the country, İşbank controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors.

As of 2011 year-end, 31.48% of İşbank's capital is on free float and its shares are publicly traded on the Istanbul Stock Exchange.

# Modifications in the Articles of Incorporation during the fiscal year

The Annual General Assembly resolution has been registered on 18 April 2011, which amended "Article 6 - Capital" of the Articles of Incorporation to reflect the increase in the authorized capital of Anadolu Hayat Emeklilik from TRY 300,000,000 to TRY 450,000,000 and the Council of Ministers Resolution no 11963, dated 04.04.2007 concerning "Elimination of the Word "New" from the New Turkish Lira and New Kuruş Phrases and Implementation Principles" published in the Official Gazette issue 26513 dated 05.05.2007.

The change in Article 6 of the Company's Articles of Incorporation is presented across the page:

## 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 forty 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 TL **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 the aforementioned 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.

# 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 2011. 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 2011.

Istanbul,  
6 March 2012

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi



Murat Alsan  
Partner

# Information on Management and Corporate Governance Principles

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# Board Directors and Statutory Auditors



## MAHMUT MAGEMİZOĞLU

### 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). Mr. Magemizoğlu has begun his career at İşbank in 1982 as an Assistant Inspector, where he held various positions until 1999 and worked as the Head of the Equity Participations Department from 1999 until 2005. Serving as Deputy Chief Executive of İşbank since 2005, Mr. Magemizoğlu has also been holding the position of the Chairman of the Board of Directors at Anadolu Hayat Emeklilik since 19 June 2009.



## SALİH 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 an officer. After working as a branch manager of various branches, Mr. Kurtuluş represented İşbank as a director on the Boards of Directors of Anadolu Hayat Emeklilik, Anadolu Sigorta, Paşabahçe Cam Sanayi, as well as some other equity participations of İşbank. After serving as a Board Director at İşbank from 2005 until 2008, he retired from İşbank in 2009. 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 has begun his career at İşbank in 1978 as an Assistant Specialist where he worked as a manager in various divisions. After serving as a Section Head in the Organization Department from 1996 until 2002, Mr. Uğurlu was appointed as a Deputy Chief Executive Officer in 2002. He represented İşbank as a Board Director at Anadolu Sigorta (1991-2002), as the Chairman of the Board at İş Kültür Yayınları (2002-2003) and at İş Girişim Sermayesi (2003-2006). Serving as the CEO of Anadolu Hayat Emeklilik since 31 January 2006, Mr. Uğurlu is also a member on the Boards of Directors of two sectoral organizations, EGM (Pension Monitoring Center) and TSRSB (Association of the Insurance and Reinsurance Companies of Turkey).



## EMRE DURANLI

### 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 on the Board of Inspectors in 1996, where he currently works as the Head of the Insurance and Capital Market Participations Division in the Equity Participations Department at İşbank. Serving as a Board Director at Anadolu Sigorta, Milli Reasürans, İş Yatırım Menkul Değerler, İş Girişim Sermayesi, İş Portföy Yönetimi, İş Yatırım Ortaklığı, Efes Varlık Yönetimi, Yatırım Finansman Menkul Değerler and Avea İletişim Hizmetleri, Mr. Duranlı has been elected a Board Director of Anadolu Hayat Emeklilik on 27 March 2006.



## MURAT ATALAY

### Director

1973, Ankara. He graduated from the Department of Statistics, Faculty of Science at Hacettepe University. He joined İşbank in 1996 as an Assistant Specialist in 1996 and functioned as a Specialist and Manager in various Head Office divisions. In 2011, Mr. Atalay has been appointed as the Director of Retail Banking Marketing Section, a position he still holds. Mr. Atalay has been elected a Board Director of Anadolu Hayat Emeklilik on 24 May 2011.



## N. BURAK SEYREK

### Director

1970, Ankara. He graduated from the Department of International Relations, Faculty of Political Sciences at Ankara University. Having joined İşbank in 1990 as an Assistant Specialist and worked as a Manager in various divisions, Mr. Seyrek has been appointed the Head of the Commercial Banking Sales Section in 2011 and has been elected a Board Director of Anadolu Hayat Emeklilik on 27 October 2011.



**DR. A. YAVUZ EGE**  
Director

1947, Gemlik. He graduated from the Department of Finance and Economics from Ankara University, Faculty of Political Sciences. He received his master's and Ph.D. degrees from the Department of Economics at the University of Kent in the UK. He worked for a long time at the T.R. Ministry of Development as a specialist, advisor, Head of Annual Programs and Finance Department, Head of Economical Planning and Deputy Undersecretary. Having served as a member of the Turkish Competition Board in 1997 and as the Undersecretary of Foreign Trade between 1997-1999, he functioned as the Chairman of the Boards of Türk Eximbank, Export Promotion Center and Güven Sigorta (Insurance) at different times. Between 2000-2001, he administrated GAP (Southeast Anatolia Project) 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 from 1993 until 2002. After serving as a Board Director of İşbank between 2003-2008, Dr. Ege has been elected a Board Director at Anadolu Hayat Emeklilik on 30 April 2008.



**TUNCAY ERCENK**  
Director

1950, Siverek/Şanlıurfa. He holds a degree in law from İstanbul University. Mr. Ercken worked as a self-employed lawyer registered with the Bar Association of Antalya from 1978 until 2002 and also served two terms of office as a Board member at the Bar Association of Antalya between 1984 and 1990. He also served as a member of the Parliament during the term of the 22nd government from 2002 until 2007, during which time he was a member of the Grand National Assembly of Turkey Committee on Constitution. Having been a Board Director at İşbank from 2008 to 2011, Mr. Ercken has been elected a Board Director of Anadolu Hayat Emeklilik on 24 May 2011.



**ÖMER KARAKUŞ**  
Director

1965, Gümüşhane. He got his degree in Public Administration from Gümüşhane Gazi University. After beginning his career at İşbank in 1988 as an Assistant Inspector, Mr. Karakuş functioned as a manager in various Head Office departments from 1998 until 2007 and as a Branch Manager in 2007. He has been appointed as the Director of the Human Resources Department in 2008, a position he currently holds. Also serving as the Chairman of the Ethics Committee of the Banks Association of Turkey, Mr. Karakuş represents İşbank as an auditor in various equity participations and as a Board Director at Nemaş Liman İşletmeleri (Port Operation) and at Anadolu Sigorta. Ömer Karakuş has been elected a Board Director of Anadolu Hayat Emeklilik on 29 March 2010.



**FULYA ETİ**  
Statutory Auditor

1970, İstanbul. She graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences at Uludağ University. Ms. Eti joined İşbank in 1992 as an officer and worked in various branches. She has been appointed to the Commercial Banking Sales Section in 2007, where she still functions as Division Manager. Ms. Eti has been serving as a statutory auditor at Anadolu Hayat Emeklilik since 29 March 2011.



**ZEKİ DAVUT**  
Statutory Auditor

1975, Kırıkkale. He holds a degree in business administration from Bilkent University and completed the international master of business administration program at the University of San Diego. Having joined İşbank in 1999 as an Assistant Inspector, Mr. Davut has been appointed as the Assistant Manager of the Telecommunications Division under the Equity Participations Department in 2008, a position he still holds. Functioning as a statutory auditor in various equity participations of İşbank and as a Board Director of Topkapı Yatırım Holding A.Ş., Zeki Davut has been serving as a statutory auditor of Anadolu Hayat Emeklilik since 20 July 2011.



**TÜMAY OSKAY**  
Secretary of the Board

**Information on Board of Directors Meetings**

During 2011, 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 the 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

Please refer to page 24 for the resumé of Mete Uğurlu.



**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 on the Board of Inspectors of İşbank in 1986. Mr. Erkan has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 14 July 2003.



**ENGİN 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 in the Organization Department of İşbank in 1978. Mr. Yüksel 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 on the Board of Inspectors of İşbank in 1986. Mr. Solak has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 15 November 2006.



**ORHAN BOZKURT**

Deputy Chief Executive Officer

1956, Rize. He is a graduate of Galatasaray School of Economics and Business Administration of Istanbul Academy of Economic and Commercial Sciences. He started working as an Assistant Inspector at Anadolu Sigorta in 1982. Mr. Bozkurt has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 12 June 2007.



**AYHAN SİNCEK**

Deputy Chief Executive Officer

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 made his debut in the private sector as a Deputy Chief Executive Officer of Credit Europe Life Insurance Company, where he served from 2007 until 2010. Mr. SınceK joined Anadolu Hayat Emeklilik as a Coordinator on 01 March 2010, where he has become a Deputy Chief Executive Officer on 28 February 2011.



**HALDUN AYDOĞDU**

Coordinator

1973, Ankara. He holds a degree in electrical and electronics engineering from the Middle East Technical University. He started working as a Software Specialist at İşbank in 1995, where he functioned as the Software Team Leader (1999-2003), Project Leader (2003-2006), assistant manager in the Operational Solutions Division (2007-2010), and Head of the Operational Solutions Division (2010-2011). Mr. Aydoğdu has been serving as a Coordinator at Anadolu Hayat Emeklilik since 29 June 2011.

# Managers Responsible for Internal Systems

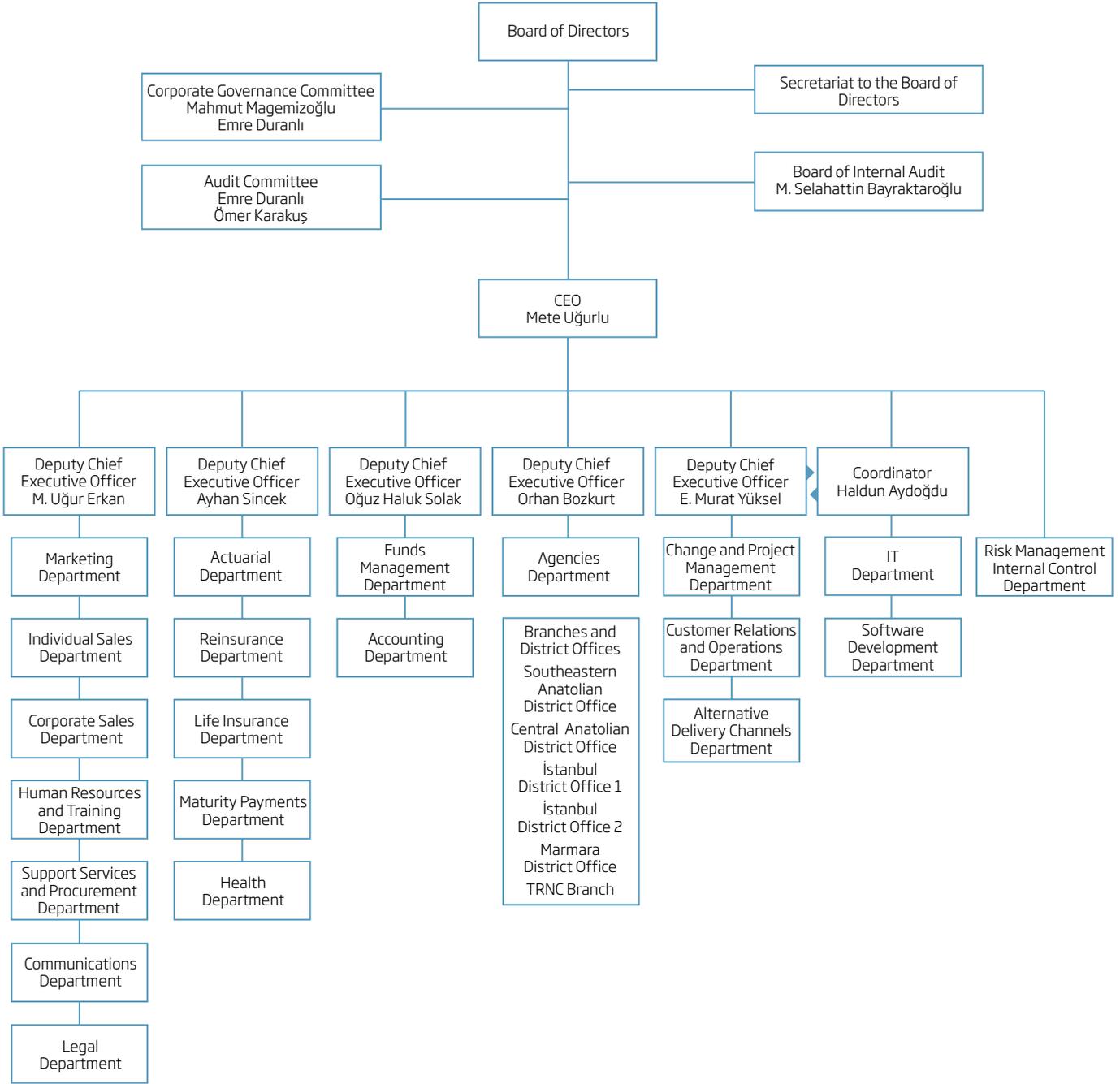
## **MEHMET SELAHATTİN BAYRAKTAROĞLU**

Head of the Board of Internal Audit  
1969, 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 Istanbul 2nd Regional Directorate, he functioned as an Assistant Manager between 2001-2006 and then as a Manager from 2006 onwards. Mr. Bayraktaroğlu has been appointed as the Head of the Board of Internal Audit on 12 June 2007, a position he still holds.

## **NILGÜN KILIÇUZAR**

Risk Management and Internal Control Department  
1968, Eskişehir. She holds a degree in Business Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. She started her career at Anadolu Hayat Sigorta as an Assistant Specialist in 1990. After functioning as a Specialist and a Manager in various divisions, Ms. Kılıçuzar has been serving as a Manager at the Risk Management and Internal Control Department since 2011.

# Organization Chart



# 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 2011. 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.

# 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.

# 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 Magemizođlu	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.

# 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
Ömer Karakuş	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.

# 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 ensuring 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 of employees with the relevant legislation published.

The Audit Committee

# 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.

2011 has been a year when the pace of recovery of global economic activity lost momentum. 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 the sectoral data for 2011, premium production in life insurance registered a year-on increase by 23% to reach TRY 2,686 million. Of this production figure, which corresponded to approximately 16% of the total premium production in the overall insurance sector, 86% has been generated by the top 10 companies in the sector.

The Private Pension System has come close to the 2.6 million mark in the number of participants as of 06 January 2012, while total funds of participants amounted to TRY 14,302 million. The total contributions in the sector as at the said date are announced as TRY 12,437 million.

- Having concluded its activities in 2011 successfully, our Company posted TRY 64.7 million in net profit and reached total assets worth TRY 5,648 million in the same period.
- In 2011, our Company's premium production in life/non-life insurance amounted to TRY 348 million.
- Remaining the leader in contributions, the number of participants and total funds, Anadolu Hayat Emeklilik succeeded in being the first pension company to reach TRY 3 billion in total funds as of 2011.
- 641,264 private pension contracts were issued for 576,819 participants and TRY 2,639 million were collected in contributions according to the Pension Monitoring Center (PMC) data dated 06 January 2012.
- Our company derived TRY 34 million in total technical profit in 2011, increasing its overall technical profitability by 28% on a year-on-year basis.
- With a view to increasing the fund options offered to our private pension participants and to expand the options for participants opting for a balanced risk profile, two new pension funds have been registered by the Capital Markets Board of Turkey as of 15 November 2011.
- A system was introduced which enables İşBank Maximum credit cardholders to transfer the MaxiPoints earned to their own private pension accounts (PPA) as additional contribution.
- Designed to be offered in conjunction with comprehensive and optional additional coverage, the new Personal Accident Insurance product was put on sale during 2011.

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

- Activities are ongoing to maintain the cooperation among, and increase the efficiency of, more than 1,700 branches of İşbank, HSBC, Anadolubank, TSKB, BankPozitif and Albaraka Türk Participation Bank and nearly 250 private agencies.
- 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. In addition, monthly and quarterly reports are now being produced in accordance with the Financial Crimes Investigation Board (in Turkish: MASAK) legislation.
- With the Alternative Delivery Channels Unit set up in 2011, our Company intends to concentrate on sales outlets with a potential to create new sales opportunities such as online and mobile applications and to capitalize on the high potential our country's young and dynamic population possesses.
- 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" went on with the addition of 100 new students.

Our Corporate Governance Principles Compliance Report and the financial statements for 2011 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

# Human Resources Policy

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

1. In recruitment, the company espoused the 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.
2. Job descriptions and assignments and performance criteria are determined by the company management and announced to employees.
3. When making training, assignment, and promotion decisions, particular care is taken to making use of objective data and to observing the company's best interests, to the maximum extent possible.
4. Training plans are developed and training policies are formulated in an effort to help our employees improve their knowledge and skills.
5. Our company's employees are members of the Bank and Insurance Employees' Union. Any decisions or developments concerning them are communicated to the employees or their representatives, and the opinion of the said union is sought in such decisions.
6. The company provides a working environment and working conditions that are safe and efforts are undertaken to improve these conditions depending on social and technological requirements.
7. Our employees are kept informed on decisions made or developments that occur concerning them.
8. Measures are taken 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.
9. It is not deemed appropriate to appoint a representative to handle relations with our employees.

## 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 janitorial 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

Whenever vacant 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 earned a good performance score substantiating his promotion;
- 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.

# Human Resources Policy

## 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.

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

During the reporting period, the company collected TRY 6,351,804 (31 December 2010: TRY 4,708,665) in private pension employer's contributions from related parties, and accrued TRY 164,810 in life insurance employer's premium (31 December 2010: TRY 259,505). Other transactions executed with related parties in the fiscal years that ended on 31 December 2011 and 31 December 2010 are presented below:

	31 December 2011	31 December 2010
Milli Reasürans TAŞ - premiums written, ceded	965,332	664,308
<b>Premiums written, ceded</b>	<b>965,332</b>	<b>664,308</b>
Milli Reasürans TAŞ - commission income from reinsurers	248,363	116,776
<b>Commission income from reinsurers</b>	<b>248,363</b>	<b>116,776</b>
Türkiye İş Bankası AŞ - interest income from deposits	850,132	2,160,580
<b>Investment income</b>	<b>850,132</b>	<b>2,160,580</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	166,740	157,500
İş Portföy Yönetimi AŞ - portfolio management fee	51,453	144,150
İş Yatırım AŞ - portfolio management fee	47,243	90,573
İş Portföy Yönetimi AŞ - secondary market operations of marketable securities	32,633	88,737
İş Yatırım - secondary market operations of marketable securities	26,595	56,344
<b>Investment expense</b>	<b>324,664</b>	<b>537,304</b>
Türkiye İş Bankası AŞ - commission of policy production	26,692,588	15,964,133
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	9,875,077	9,634,293
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	3,085,452	2,716,049
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	2,681,694	2,507,846
Anadolu Anonim Türk Sigorta Şirketi - premium paid	1,125,723	908,839
Türkiye İş Bankası AŞ - commission of premium collection and banking services	866,563	1,126,192
Türkiye İş Bankası AŞ - rent expense	256,362	233,892
Anadolu Anonim Türk Sigorta Şirketi - rent expense	147,446	141,099
<b>Other expenses</b>	<b>44,730,905</b>	<b>33,232,343</b>

The related party balances as at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Türkiye İş Bankası AŞ - receivables from credit card collections	60,398,105	46,766,891
<b>Other cash and cash equivalents</b>	<b>60,398,105</b>	<b>46,766,891</b>
Türkiye İş Bankası AŞ - bank deposits	34,060,110	62,673,024
<b>Cash at banks</b>	<b>34,060,110</b>	<b>62,673,024</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	118,775	7,891
<b>Receivables from main operations</b>	<b>118,775</b>	<b>7,891</b>
Türkiye İş Bankası AŞ - commission payables	2,695,702	1,739,234
Milli Reasürans TAŞ - premium payables	309,789	76,979
<b>Payable from main operations</b>	<b>3,005,491</b>	<b>1,816,213</b>
Anadolu Anonim Türk Sigorta Şirketi - premium payables	903	2,674
<b>Payables to shareholders</b>	<b>903</b>	<b>2,674</b>
İş Portföy Yönetimi AŞ	2,656,361	933,993
İş Merkezleri Yönetim ve İşletim AŞ	79,073	64,112
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim AŞ	58,058	41,483
Bayek Tedavi Hizmetleri ve İşletmeciliği A.Ş.	5,309	-
İş Koray Turizm Ormanlık Madencilik İnşaat Taahhüt ve Ticaret AŞ	572	376
<b>Other payables</b>	<b>2,799,373</b>	<b>1,039,964</b>

# 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:

<b>Name</b>	<b>Telephone</b>	<b>E-mail</b>
Oğuz Haluk Solak	(+90 212) 317 70 06	investorrelations@anadoluhayat.com.tr
N. Cem Özcan	(+90 212) 317 71 04	investorrelations@anadoluhayat.com.tr
Alper Eşsizolu	(+90 212) 317 71 06	investorrelations@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.

# 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](http://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 2011.

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 2010 was held on 29 March 2011. Shareholders controlling TRY 211 million worth of shares corresponding to 84% of our company's TRY 250 million paid-in capital 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 *Milliyet*, 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.

All shareholders are also able to directly access information about general assemblies on our company's corporate website at [anadoluhayat.com.tr](http://anadoluhayat.com.tr). 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.

# Corporate Governance Principles Compliance Report

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](http://anadoluhayat.com.tr).

No shareholders exercised their right to ask questions at the ordinary general meeting held in 2011.

Shareholders at the ordinary general meeting agreed:

- Unanimously 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,
- Unanimously to read out loud the Company's Statutory Auditors' Report and the "opinion" section of the Independent Auditor's Report,
- Unanimously after deliberation to read out loud the headlines of the financial statements,
- Unanimously to approve individual release of the Company's Board directors and statutory auditors in relation to the Company's activities and operations in 2010,
- Unanimously to accept the Board of Directors' proposal concerning the distribution of profits as stipulated in the annual report,
- Unanimously to approve the amendment to the Company's Articles of Incorporation, Article 6 concerning determination of remunerations to be paid,
- Unanimously to ratify the election of the Board directors,
- Unanimously to ratify the election of the statutory auditors,
- By majority of votes to approve the motions submitted for determination of the remunerations to be paid to the Company's directors and statutory auditors,
- Unanimously to allow the Board directors to perform the transactions set out in Articles 334 and 335 of the Turkish Commercial Code, as per the motion submitted.

The shareholders have been provided with information on the grants and donations made during the reporting period.

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.

# 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.

# Corporate Governance Principles Compliance Report

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.

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](http://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 2011, our company's issued capital amounts to TRY 300 million consisting of 100,000,000 Class A shares worth a total of TRY 1 million and 29,900,000,000 Class B registered shares worth a total of TRY 299 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.

# Corporate Governance Principles Compliance Report

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.

## 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 of Disclosure Policy

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 Istanbul 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.

# Corporate Governance Principles Compliance Report

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.

## 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

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 Istanbul 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](http://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.

# Corporate Governance Principles Compliance Report

- 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.
- 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.

# Corporate Governance Principles Compliance Report

## 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-eight material event disclosures during 2011 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.	186,000,000	62
Anadolu Anonim Türk Sigorta Şti.	60,000,000	20
Millî Reasürans T.A.Ş.	3,000,000	1
Publicly Held	51,000,000	17
<b>Total</b>	<b>300,000,000</b>	<b>100</b>

## 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.

# Corporate Governance Principles Compliance Report

## 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.

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.

## 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.

# Corporate Governance Principles Compliance Report

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

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	29
Salih Kurtuluş	Vice Chairman	İstanbul Private School of Journalism	-	Retired	-	38
Mete Uğurlu	Director & CEO	Middle East Technical University	Faculty of Administrative Sciences/ Business Administration	Anadolu Hayat Emeklilik A.Ş.	CEO	34
Dr. A.Yavuz Ege	Director	Ankara University	Faculty of Political Sciences/ Public Finance & Economics	Retired	-	41
Murat Atalay	Director	Hacettepe University	Faculty of Science/ Statistics	Türkiye İş Bankası A.Ş.	Division Manager	16
N. Burak Seyrek	Director	Ankara University	Faculty of Political Sciences/ International Relations	Türkiye İş Bankası A.Ş.	Division Manager	22
Tuncay Erçenk	Director	İstanbul University	Faculty of Law	-	-	34
Emre Duranlı	Director	Hacettepe University	Faculty of Economics and Administrative Sciences/ Business Administration (English)	Türkiye İş Bankası A.Ş.	Unit Manager	16
Ömer Karakuş	Director	Gazi University	Faculty of Economic and Administrative Sciences/ Public Administration	Türkiye İş Bankası A.Ş.	Division Manager	23
Fulya Eti	Statutory Auditor	Uludağ University	Faculty of Economic and Administrative Sciences/ Business Administration	Türkiye İş Bankası A.Ş.	Division Manager	20
Zeki Davut	Statutory Auditor	Bilkent University	Faculty of Business Administration / Business Administration	Türkiye İş Bankası A.Ş.	Assistant Manager	13

# Corporate Governance Principles Compliance Report

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.

## 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.

# Corporate Governance Principles Compliance Report

## 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.

## 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 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; reporting on the activities is done to the CEO. 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 extraordinary 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. Value-at-Risk computations are reported on a monthly 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.

# Corporate Governance Principles Compliance Report

## 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.

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.

# Corporate Governance Principles Compliance Report

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 2011.

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.

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 2010 and 2011.

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.

# Corporate Governance Principles Compliance Report

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 its 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.

### **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.

# Corporate Governance Principles Compliance Report

## 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.

## 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.

# Corporate Governance Principles Compliance Report

## **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

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# Summary of the Statutory Auditors' Report

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

Company Name:	Anadolu Hayat Emeklilik A.Ş.
Head Office:	Istanbul
Registered Capital:	TRY 450,000,000
Issued Capital:	TRY 300,000,000
Principal Business Activity:	Insurance and Private Pensions
Names and terms of office of Statutory Auditors, their relation to the company (employees/partners or not):	Fulya Eti Zeki Davut Term of office is 1 year. The auditors are neither shareholders, nor employees.
Number of the Board of Directors meetings attended and Audit Committee meetings held:	All meetings
Scope, dates and outcome of the examination of company accounts, books and records:	During the examinations carried out on company books and records on various dates and prior to the 2011 year-end closing of accounts, it has been established that the books have been kept in accordance with the applicable laws and generally accepted accounting principles.
Cash counts held at the Company's pay desk pursuant to Article 353, paragraph 1.3 of the Turkish Commercial Code and their outcomes:	No irregularities were established at our quarterly reviews.
Dates and results of the examinations as required by Article 353, paragraph 1.4 of the Turkish Commercial Code:	In our examinations, it has been established that pledges and guarantees and all kinds of valuable papers are recorded and present.
Complaints or irregularities brought to the auditors' attention and actions taken:	None received.

We have audited the financial statements and accounting data of Anadolu Hayat Emeklilik A.Ş for the period 01 January 2011-31 December 2011 according to the Turkish Commercial Code, the company's Articles of Incorporation and other regulations in compliance with generally accepted accounting principles. In our opinion the accompanying balance sheet for the period ending 31 December 2011 and income statement for the period 01 January 2011-31 December 2011 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  
Zeki Davut



Statutory Auditor  
Fulya Eti

# Assessment of the Board of Internal Audit Activities in 2011

Board of Internal Audit carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies published 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 2011, the Board audited a total of 28 units (21 headquarters units, 6 regional departments and 1 branch) and issued eight investigation reports and one examination report. Agency inspections were also continued during 2011, and 104 agencies were audited last year. The reports prepared after audits, investigations and examinations were presented to the Board of Directors.

In 2011, the Board of Internal Audit was staffed by 12 auditors and assistant auditors. 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

# Ordinary General Meeting Agenda

## 2011 ORDINARY GENERAL MEETING OF SHAREHOLDERS

29 MARCH 2012, THURSDAY, COMPANY HEAD OFFICE, 14:00 hours

### AGENDA:

1. Opening, electing a presiding committee, and authorizing the presiding committee to sign the minutes of the general meeting.
2. Presentation and discussion on the 2011 reports by the Board of Directors, Statutory Auditors, and Independent Auditor.
3. Reviewing and approving the financial statements for 2011.
4. Individually acquitting each of the Company's Directors and Statutory Auditors.
5. Deliberating and voting on the Board of Directors proposal concerning manner and date of the distribution of 2011 profits.
6. Presenting the "Remuneration Policy" for the shareholders' review and comments.
7. Ratifying the amendments pertaining to "Article 1 - Incorporation, "Article 3 - The Company's Purpose and Scope", "Article 6 - Capital", "Article 7 - Share Certificates" and the title of Section Two of the Company's Articles of Incorporation, and the addition of "Article 39 - Compliance with Corporate Governance Principles" to the Articles of Incorporation provided that all necessary approvals have been received from related governmental authorities.
8. Approving the individuals elected pursuant to Article 315 of the Turkish Commercial Code and Article 10 of the company's Articles of Incorporation to the seats on the Board of Directors vacated during the reporting period.
9. Providing information on changes in Statutory Auditors during the reporting period.
10. Electing the members of the Board of Directors and determining their terms of office.
11. Electing the Statutory Auditors.
12. Approving the monthly salaries to be paid to the members of the Board of Directors and Statutory Auditors.
13. Authorizing the individuals stated in applicable legislation to carry out the transactions set out in Articles 334 and 335 of the Turkish Commercial Code and the Capital Markets Board Corporate Governance Principles.
14. Providing information on grants and donations made during the reporting period.

# Anadolu Hayat Emeklilik

## Anadolu Hayat Emeklilik A.Ş. Draft Amendments to the Articles of Incorporation

### ARTICLE 1 - FORMER VERSION

Incorporation

Article 1- A joint stock company is herewith incorporated by and among the founders whose names and domiciles are given below, in accordance with the provisions of the Turkish Commercial Code and the Insurance Supervision Law.

1- Anadolu Anonim Türk Sigorta Şirketi  
Rıhtım Caddesi Anadolu Sigorta Han No.57 Karaköy / İSTANBUL  
Citizen of Turkey

2- Türkiye İş Bankası Anonim Şirketi  
Atatürk Bulvarı No.191 Kavaklıdere / ANKARA  
Citizen of Turkey

3- Destek Reasürans Türk Anonim Şirketi  
Abdi İpekçi Caddesi No.75 Maçka / İSTANBUL  
Citizen of Turkey

4- Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi  
Barbaros Bulvarı No.125 Camhan Beşiktaş / İSTANBUL  
Citizen of Turkey

5- Mensa Mensucat Sanayi ve Ticaret Anonim Şirketi  
Mersin Asfaltı 14. Km. / ADANA  
Citizen of Turkey

6- Türk Dış Ticaret Bankası Anonim Şirketi  
Yıldız Posta Caddesi No.54 Gayrettepe / İSTANBUL  
Citizen of Turkey

The joint stock company incorporated by the founders whose company names and head offices at the time are written hereinabove was transformed into a "company whose **share certificates** are publicly offered" in the sense of the Capital Markets Board of Turkey, and into a "Private Pension Company" in the sense of the "Private Pension Savings and Investment System Law.

### ARTICLE 3 - FORMER VERSION

Purpose and Scope of the Company

Article 3- Purpose and scope of the company:

a) Engage in individual or group private pension activities; set up pension funds in this framework; create fund bylaws for the funds to be set up; execute pension contracts, portfolio management contracts, custody agreements with the custodian for safekeeping of fund assets; execute other agreements in relation to its fields of activity;

When performing the activities subject to the Private Pension Law, the Company acts in compliance with the principles and guidelines set forth therein, and specifically:

- May obtain service for the pension contract from the bank and its branches and private pension intermediaries
- Invests the contributions collected from participants in funds within the period of time stipulated by the Law

### ARTICLE 1 - NEW VERSION

Incorporation

Article 1- A joint stock company is herewith incorporated by and among the founders whose names and domiciles are given below, in accordance with the provisions of the Turkish Commercial Code and the Insurance Supervision Law.

1- Anadolu Anonim Türk Sigorta Şirketi  
Rıhtım Caddesi Anadolu Sigorta Han No.57 Karaköy / İSTANBUL  
Citizen of Turkey

2- Türkiye İş Bankası Anonim Şirketi  
Atatürk Bulvarı No.191 Kavaklıdere / ANKARA  
Citizen of Turkey

3- Destek Reasürans Türk Anonim Şirketi  
Abdi İpekçi Caddesi No.75 Maçka / İSTANBUL  
Citizen of Turkey

4- Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi  
Barbaros Bulvarı No.125 Camhan Beşiktaş / İSTANBUL  
Citizen of Turkey

5- Mensa Mensucat Sanayi ve Ticaret Anonim Şirketi  
Mersin Asfaltı 14. Km. / ADANA  
Citizen of Turkey

6- Türk Dış Ticaret Bankası Anonim Şirketi  
Yıldız Posta Caddesi No.54 Gayrettepe / İSTANBUL  
Citizen of Turkey

The joint stock company incorporated by the founders whose company names and head offices at the time are written hereinabove was transformed into a "company whose **shares** are publicly offered" in the sense of the Capital Markets Board of Turkey, and into a "Private Pension Company" in the sense of the "Private Pension Savings and Investment System Law.

### ARTICLE 3 - NEW VERSION

Purpose and Scope of the Company

Article 3- Purpose and scope of the company:

a) Engage in individual or group private pension activities; set up pension funds in this framework; create fund bylaws for the funds to be set up; execute pension contracts, portfolio management contracts, custody agreements with the custodian for safekeeping of fund assets; execute other agreements in relation to its fields of activity;

When performing the activities subject to the Private Pension Law, the Company acts in compliance with the principles and guidelines set forth therein, and specifically:

- May obtain service for the pension contract from the bank and its branches and private pension intermediaries
- Invests the contributions collected from participants in funds within the period of time stipulated by the Law

## Anadolu Hayat Emeklilik A.Ş. Draft Amendments to the Articles of Incorporation

- Constantly updates private pension accounts and other records related thereto, and takes necessary action for the safekeeping of these records and fund assets
- Enables access of participants to daily information on their private pension accounts
- Regularly informs participants on the assets contained in their fund portfolios, fund performances and financial statements
- Ensures management of funds in accordance with the general strategies and decisions adopted by the company
- Timely provides the custodian with required information for their incorporation in the custody accounts as necessary
- Appraises the funds portfolio and ensures accurate calculation of the unit share price
- Gets the pension plan changed upon request by participants
- Facilitates transfer of contributions to another fund or pension company subject to the provisions of applicable legislation.

b) provide individual or group life or whole life insurance, accident insurance in connection therewith, as well as individual or group illness insurance and all sorts of life insurance limited to the period of time allowed by the private pension legislation, and perform reinsurance transactions related to all kinds of insurance types mentioned above;

c) assume agency, lead insurer and representation services for other national or international insurance and reinsurance companies engaged in the life branch and for pension companies;

d) carry out all kinds of acts and actions in relation to the Company's scope; establish companies to be engaged in the same scope or participate in existing or future enterprises active in the same scope;

e) Participate in healthcare institutions;

f) purchase and sell movables or immovables, construct buildings, create and lift mortgage and all sorts of real rights for the purpose of achieving the Company's purpose and investing its capital and reserves in interest-bearing instruments, trade in all kinds of domestic and overseas money, financial and capital market instruments allowed by the legislation for the same purpose, provided that such activities shall not be in the nature of brokerage and portfolio management activities;

g) set up, manage and participate in mutual funds and real estate investment trusts, investment participations and all kinds of funds allowed to be set up for advancing health insurance; merge/transfer Pension Mutual Funds set up by the Company under the Private Pension Savings and Investment System Law.

Other business activities deemed necessary or useful for the Company other than those listed above may also be incorporated in the Company's scope through amendment of these articles of incorporation.

- Constantly updates private pension accounts and other records related thereto, and takes necessary action for the safekeeping of these records and fund assets
- Enables access of participants to daily information on their private pension accounts
- Regularly informs participants on the assets contained in their fund portfolios, fund performances and financial statements
- Ensures management of funds in accordance with the general strategies and decisions adopted by the company
- Timely provides the custodian with required information for their incorporation in the custody accounts as necessary
- Appraises the funds portfolio and ensures accurate calculation of the unit share price
- Gets the pension plan changed upon request by participants
- Facilitates transfer of contributions to another fund or pension company subject to the provisions of applicable legislation.

b) provide individual or group life or whole life insurance, accident insurance in connection therewith, as well as individual or group illness insurance and all sorts of life insurance limited to the period of time allowed by the private pension legislation, and carry out reinsurance transactions related to all kinds of insurance mentioned above;

c) assume agency, lead insurer and representation services for other national or international insurance and reinsurance companies engaged in the life branch and for pension companies;

d) carry out all kinds of acts and actions in relation to the Company's scope; establish companies to be engaged in the same scope or participate in existing or future enterprises active in the same scope;

e) Participate in healthcare institutions;

f) purchase and sell movables or immovables, construct buildings, create and lift mortgage and all sorts of real rights for the purpose of achieving the Company's purpose and investing its capital and reserves in interest-bearing instruments, trade in all kinds of domestic and overseas money, financial and capital market instruments allowed by the legislation for the same purpose, provided that such activities shall not be in the nature of brokerage and portfolio management activities;

g) set up, manage and participate in mutual funds and real estate investment trusts, investment participations and all kinds of funds allowed to be set up for advancing health insurance; merge/transfer Pension Mutual Funds set up by the Company under the Private Pension Savings and Investment System Law.

**h) The Company may grant donations within the scope of social responsibility and in accordance with the procedures and principles set by the Capital Markets Board.**

Other business activities deemed necessary or useful for the Company other than those listed above may also be incorporated in the Company's scope through amendment of these articles of incorporation.

# Anadolu Hayat Emeklilik

## Anadolu Hayat Emeklilik A.Ş. Draft Amendments to the Articles of Incorporation

### SECTION TWO TITLE - FORMER VERSION

CAPITAL AND **SHARE CERTIFICATES** OF THE COMPANY

#### ARTICLE 6 - FORMER VERSION

##### Capital

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 permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 450,000,000 (four hundred fifty million), divided into 45,000,000,000 (forty-five billion) shares each with a nominal value of TRY 0.01.

The Company's issued capital is **TRY 250,000,000.- (two hundred fifty million)**. Of this amount, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and **TRY 249,000,000 (two hundred forty-nine million)** is represented by **14,900,000,000 (fourteen billion nine hundred million)** Class B shares each with a nominal value of TRY 0.01, issued on various dates.

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

Permission granted by the Capital Markets Board of Turkey 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 Capital Markets Board of Turkey 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 TL 1,000.-, 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 TL 1,000 have been exchanged with 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.

### SECTION TWO TITLE - NEW VERSION

CAPITAL AND **SHARES** OF THE COMPANY

#### ARTICLE 6 - NEW VERSION

##### Capital and Shares

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 permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 450,000,000 (four hundred fifty million), divided into 45,000,000,000 (forty-five billion) shares each with a nominal value of TRY 0.01.

The Company's issued capital is **TRY 300,000,000.- (three hundred million)**. Of this amount, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and **TRY 299,000,000 (two hundred ninety-nine million)** is represented by **29,900,000,000 (twenty-nine billion nine hundred million)** Class B shares each with a nominal value of TRY 0.01, issued on various dates. All shares are registered shares.

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

Permission granted by the Capital Markets Board of Turkey 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 Capital Markets Board of Turkey 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 TL 1,000.-, 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 TL 1,000 have been exchanged with 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. Draft Amendments to the Articles of Incorporation

## ARTICLE 7 - FORMER VERSION

Share Certificates

Article 7- **All of the share certificates are registered shares.**

**The Board of Directors is authorized to print the share certificates in denominations representing more than one share, subject to the regulations of the Capital Markets Board.**

## SECTION NINE - FORMER VERSION

The present articles of incorporation end with Article 38 and the Provisional Article 1 that follows it.

## ARTICLE 7 - NEW VERSION

Share Certificates

Article 7- **Rescinded.**

## NEW ARTICLE SUPPLEMENTED TO SECTION NINE

**Compliance with Corporate Governance Principles**

**Article 39- Corporate Governance Principles are complied with, which are required to be implemented by the Capital Markets Board. Transactions performed and board of directors decisions passed in violation of compulsory principles are null and void, and will be deemed to contradict with the articles of incorporation.**

**The Capital Markets Board principles concerning corporate governance are complied with in transactions considered to be material with respect to the implementation of Corporate Governance Principles, to all kinds of related party transactions the company realizes, and the company's transactions related to any guarantee, pledge and mortgage furnished in favor of third parties.**

**The number and qualifications of independent members who will serve on the board of directors are determined in accordance with the corporate governance arrangements of the Capital Markets Board.**

# 2010 Profit Distribution Table

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 Incorporation, information on such privileges		THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS
		<b>Based on CMB</b>	<b>Based on Legal Records</b>
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 Incorporation	-	-

## 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.

# 2011 Profit Distribution Proposal

1-	Paid-in/Issued Capital		300,000,000
2-	Total Legal Reserves (according to legal records)		59,640,083
	If there are privileges for distribution of profits according to the Articles of Incorporation, information on such privileges		THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS
		<b>Based on CMB</b>	<b>Based on Legal Records</b>
3-	Profit for the Period (*)	76.335.800	78.084.510
4-	Taxes Payable (-)	-13.415.000	-13.415.000
5-	Net Profit for the Period (=)	62.920.800	64.669.510
6-	Losses in Prior Years (-)	-	-
7-	First Legal Reserves (-)	3.233.476	3.233.476
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	59.687.324	61.436.034
9-	Donations during the Year (+)	219.883	-
10-	Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed	59.907.207	-
11-	First Dividend to Shareholders	-	-
	- Cash	11.981.441	-
	- Bonus Shares	-	-
	- Total	11.981.441	-
12-	Dividends Distributed to Owners of Privileged Shares	-	-
13-	Dividends Distributed to Board Members, Employees, etc.	1.431.176	-
14-	Dividends Distributed to Owners of Redeemed Shares	-	-
15-	Second Dividend to Shareholders	28.018.559	-
16-	Second Legal Reserves	2.643.118	-
17-	Statutory Reserves	4.627.471	4.627.471
18-	Special Reserves	-	-
19-	EXTRAORDINARY RESERVES (**)	10.985.559	12.734.269
20-	Other Resources to be Distributed	-	-
	- Previous Year Profit	-	-
	- Extraordinary Reserves	-	-
	- Other Distributable Reserves as per the Law and Articles of Incorporation	-	-

## 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	133.333,33	0,133333	13,3333
	B	39.866.666,67	0,133333	13,3333
	TOTAL	40.000.000,00		
NET (***)	A	113.333,33	0,113333	11,3333
	B	33.886.666,67	0,113333	11,3333
	TOTAL	34.000.000,00		

### 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	66.77

(\*) 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 a result of profit distribution, TRY 10,985,559 will be taken into account as extraordinary reserves, which amount is calculated based on CMB. The difference that arises between the calculation based on CMB and legal records will be transferred to "Previous Year Profits".

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

**ANADOLU HAYAT EMEKLİLİK A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED PERIOD ENDED 31 DECEMBER 2011  
AND INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

### 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 2011 and the related unconsolidated statement 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 2011, 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.

Istanbul, 2 March 2012

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Murat Alsan, Certified Public Accountant

*Partner*

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

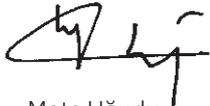
As explained in Note 2.1.1, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

# Anadolu Hayat Emeklilik

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED PERIOD ENDED 31 DECEMBER 2011

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2011 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, 2 March 2012



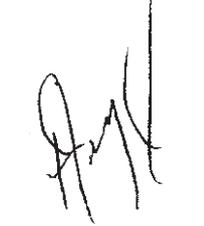
Mete Uğurlu  
Member of Board  
of Directors, Chief  
Executive Officer



Oğuz Haluk Solak  
Vice Chief Executive  
Officer



N. Cem Özcan  
Accounting  
Manager



Fulya Eti  
Statutory Auditor



Zeki Davut  
Statutory Auditor



Harun R. Alpözgen  
Actuary

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# Anadolu Hayat Emeklilik

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# Anadolu Hayat Emeklilik

## Unconsolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>119,788,925</b>	<b>129,069,140</b>
1- Cash	14	12,206	17,198
2- Cheques Received		-	-
3- Banks	14	52,803,532	76,694,447
4- Cheques Given and Payment Orders	14	(63,794)	(47,274)
5- Other Cash and Cash Equivalents	14, 47	67,036,981	52,404,769
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>2,384,479,049</b>	<b>2,452,962,989</b>
1- Available-for-Sale Financial Assets	11	379,786,097	377,260,875
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	53,243,910	65,860,731
4- Loans and Receivables	11	299,752	297,516
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	1,961,449,072	2,016,552,956
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(10,299,782)	(7,009,089)
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>3,089,760,876</b>	<b>2,675,550,930</b>
1- Receivables from Insurance Operations	12	7,157,908	7,471,182
2- Provision for Receivables from Insurance Operations	12	(2,574)	(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	52,535,573	48,122,482
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	3,030,069,969	2,619,959,840
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
<b>D- Due from Related Parties</b>	<b>12</b>	<b>232,068</b>	<b>92,711</b>
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	232,068	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		-	-
<b>E- Other Receivables</b>	<b>12</b>	<b>7,662,810</b>	<b>6,323,295</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		37,963	38,632
4- Other Miscellaneous Receivables	47	7,624,847	6,284,663
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>4.2</b>	<b>7,931,676</b>	<b>4,775,386</b>
1- Prepaid Expenses		7,672,854	4,552,267
2- Accrued Interest and Rent Income		258,822	208,704
3- Income Accruals		-	14,415
<b>G- Other Current Assets</b>	<b>4.2</b>	<b>889,196</b>	<b>625,277</b>
1- Stocks to be Used in the Following Months		51,570	44,087
2- Prepaid Taxes and Funds		833,924	576,888
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		3,700	4,300
6- Inventory Count Differences		2	2
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
<b>I- Total Current Assets</b>		<b>5,610,744,600</b>	<b>5,269,399,728</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

ASSETS			
	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
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>B- Due from Related Parties</b>			
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- Rediscout on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>			
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscout on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>	<b>9, 45.d</b>	<b>8,762,193</b>	<b>5,762,193</b>
1- Investments in Equity Shares		-	-
2- Investments in Associates	9,45.d	8,762,193	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		-	-
<b>E- Tangible Assets</b>			
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	4,212,702	3,868,855
5- Furniture and Fixtures	6	2,629,111	2,369,601
6- Motor Vehicles	6	797,979	797,979
7- Other Tangible Assets (Including Leasehold Improvements)	6	2,229,627	2,023,864
8- Tangible Assets Acquired Through Finance Leases	6	1,094,792	1,224,180
9- Accumulated Depreciation	6	(17,273,264)	(16,080,741)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>			
1- Rights	8	8,299,662	6,354,781
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(5,566,770)	(3,971,771)
8- Advances Paid for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>			
1- Prepaid Expenses		50,699	30,516
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts	21	4,541,053	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	4,541,053	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		<b>36,989,773</b>	<b>29,591,446</b>
<b>TOTAL ASSETS</b>		<b>5,647,734,373</b>	<b>5,298,991,174</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Financial Liabilities</b>			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
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>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>3,098,434,154</b>	<b>2,674,173,962</b>
1- Payables Arising from Insurance Operations	19	4,477,923	2,751,562
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	686,569	543,884
4- Payables Arising from Individual Pension Business	19	3,093,269,662	2,670,878,516
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
<b>C- Due to Related Parties</b>	<b>19</b>	<b>2,893</b>	<b>4,085</b>
1- Due to Shareholders	19	903	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	1,990	1,411
<b>D- Other Payables</b>	<b>19</b>	<b>7,560,489</b>	<b>6,022,753</b>
1- Deposits and Guarantees Received	19	213,442	201,082
2- Other Miscellaneous Payables	19,47	7,347,047	5,821,671
3- Discount on Other Miscellaneous Payables		-	-
<b>E- Insurance Technical Provisions</b>	<b>17</b>	<b>2,092,926,088</b>	<b>2,155,205,866</b>
1- Reserve for Unearned Premiums - Net	17	13,833,210	8,081,645
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	2,027,283,249	2,090,760,148
4- Provision for Outstanding Claims - Net	17	49,614,913	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	2,194,716	1,220,317
<b>F- Provisions for Taxes and Other Similar Obligations</b>		<b>9,906,292</b>	<b>5,473,472</b>
1- Taxes and Funds Payable		5,907,683	4,526,412
2- Social Security Premiums Payable		1,471,455	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	13,415,000	15,435,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(10,887,846)	(15,139,000)
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2,338,763</b>	<b>1,150,708</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	2,338,763	1,150,708
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>1,574,906</b>	<b>1,332,794</b>
1- Deferred Income	19	1,511,850	1,160,520
2- Expense Accruals	19	63,056	172,274
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Short-Term Liabilities</b>		<b>59</b>	<b>54</b>
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		59	54
3- Other Various Short-Term Liabilities		-	-
<b>III - Total Short-Term Liabilities</b>		<b>5,212,743,644</b>	<b>4,843,363,694</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Financial Liabilities</b>		-	-
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>B- Payables Arising from Main Operations</b>		-	-
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		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>		-	-
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		-	-
<b>F-Other Liabilities and Relevant Accruals</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>	22,23	4,828,646	3,566,916
1- Provision for Employee Termination Benefits	22,23	4,828,646	3,566,916
2- Provision for Pension Fund Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long-Term Liabilities</b>		-	1,414,610
1- Deferred Tax Liabilities	21	-	1,414,610
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		4,828,646	4,981,526

# Anadolu Hayat Emeklilik

## Unconsolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Paid in Capital</b>	<b>2.13,15</b>	<b>300,000,000</b>	<b>250,000,000</b>
1- (Nominal) Capital	2.13,15	300,000,000	250,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
<b>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>60,353,708</b>	<b>124,070,260</b>
1- Legal Reserves	15	59,640,083	53,156,391
2- Statutory Reserves	15	9,095,243	23,652,466
3- Extraordinary Reserves	15	1,219,776	13,367,976
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	(9,601,394)	33,893,427
6- Other Profit Reserves		-	-
<b>D- Retained Earnings</b>		<b>5,138,865</b>	<b>5,178,360</b>
1- Retained Earnings		5,138,865	5,178,360
<b>E- Accumulated Losses</b>		<b>-</b>	<b>-</b>
1- Accumulated Losses		-	-
<b>F-Net Profit/(Loss) for the Period</b>		<b>64,669,510</b>	<b>71,397,334</b>
1- Net Profit for the Period		64,669,510	71,356,729
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	40,605
<b>V- Total Equity</b>		<b>430,162,083</b>	<b>450,645,954</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,647,734,373</b>	<b>5,298,991,174</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>I- TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>	<b>5</b>	<b>324,579</b>	<b>171,844</b>
1- Earned Premiums (Net of Reinsurer Share)		324,579	171,844
1,1- Written Premiums (Net of Reinsurer Share)	24	642,333	164,340
1,1,1- Written Premiums, gross		832,854	258,261
1,1,2- Written Premiums, ceded	10	(190,521)	(93,921)
1,2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(317,754)	7,504
1,2,1- Reserve for Unearned Premiums, gross		(371,446)	19,970
1,2,2- Reserve for Unearned Premiums, ceded	10	53,692	(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>B- Non-Life Technical Expense</b>	<b>5</b>	<b>(331,636)</b>	<b>(397,551)</b>
1- Incurred Losses (Net of Reinsurer Share)		(147,995)	(161,567)
1,1- Claims Paid (Net of Reinsurer Share)		(90,002)	(134,061)
1,1,1- Claims Paid, gross		(90,002)	(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)		(57,993)	(27,506)
1,2,1- Change in Provisions for Outstanding Claims, gross		(95,094)	77,783
1,2,2- Change in Provisions for Outstanding Claims, ceded	10	37,101	(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)		(18,146)	(4,950)
4- Operating Expenses	32	(165,495)	(231,034)
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>(7,057)</b>	<b>(225,707)</b>
<b>D- Life Technical Income</b>	<b>5</b>	<b>563,171,487</b>	<b>551,195,278</b>
1- Earned Premiums (Net of Reinsurer Share)		331,774,313	348,064,197
1,1- Written Premiums (Net of Reinsurer Share)	24	337,208,124	350,122,861
1,1,1- Written Premiums, gross		347,603,291	357,352,064
1,1,2- Written Premiums, ceded	10	(10,395,167)	(7,229,203)
1,2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(5,433,811)	(2,058,664)
1,2,1- Reserve for Unearned Premiums, gross		(5,646,631)	(2,152,102)
1,2,2- Reserve for Unearned Premiums, ceded	10	212,820	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	223,432,387	195,491,688
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		7,964,787	7,639,393

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(528,724,711)</b>	<b>(537,249,963)</b>
1- Incurred Losses (Net of Reinsurer Share)		(432,889,365)	(409,280,143)
1.1- Claims Paid (Net of Reinsurer Share)		(429,084,490)	(400,733,338)
1.1.1- Claims Paid, gross		(430,720,241)	(401,626,730)
1.1.2- Claims Paid, ceded	10	1,635,751	893,392
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(3,804,875)	(8,546,805)
1.2.1- Change in Provisions for Outstanding Claims, gross		(4,168,794)	(8,604,406)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	363,919	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)		(41,996,300)	(73,471,133)
3.1- Change in Life Mathematical Provisions, gross		(43,956,808)	(75,525,566)
3.2- Change in Life Mathematical Provisions, ceded	10	1,960,508	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)		(956,253)	(832,119)
6- Operating Expenses	32	(52,882,793)	(53,666,568)
7- Investment Expenses		-	-
8- Unrealized Losses on Investments		-	-
9- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D - E)</b>		<b>34,446,776</b>	<b>13,945,315</b>
<b>G- Pension Business Technical Income</b>	<b>5,25</b>	<b>113,849,562</b>	<b>95,156,430</b>
1- Fund Management Income	25	70,109,006	55,617,732
2- Management Fee	25	29,083,449	23,501,810
3- Entrance Fee Income	25	14,256,976	15,711,175
4- Management Expense Charge in case of Suspension	25	278,560	231,133
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance	25	16,700	324
7- Other Technical Expense	25	104,871	94,256
<b>H- Pension Business Technical Expense</b>	<b>5</b>	<b>(113,844,799)</b>	<b>(82,036,396)</b>
1- Fund Management Expense		(12,160,541)	(11,383,014)
2- Decrease in Value of Capital Allowances Given as Advance		(14,300)	-
3- Operating Expenses	32	(100,224,705)	(69,802,560)
4- Other Technical Expenses		(1,445,253)	(850,822)
<b>I- Net Technical Income - Pension Business (G - H)</b>		<b>4,763</b>	<b>13,120,034</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>C- Net Technical Income - Non-Life (A-B)</b>		<b>(7,057)</b>	<b>(225,707)</b>
<b>F- Net Technical Income - Life (D-E)</b>		<b>34,446,776</b>	<b>13,945,315</b>
<b>I- Net Technical Income - Pension Business (G-H)</b>		<b>4,763</b>	<b>13,120,034</b>
<b>J- Total Net Technical Income (C+F+I)</b>		<b>34,444,482</b>	<b>26,839,642</b>
<b>K- Investment Income</b>	<b>26</b>	<b>57,222,042</b>	<b>70,034,497</b>
1- Income from Financial Assets		28,493,844	20,911,336
2- Income from Disposal of Financial Assets		5,747,322	18,712,905
3- Valuation of Financial Assets		3,363,067	17,052,876
4- Foreign Exchange Gains	36	3,327,777	994,669
5- Income from Associates	26	3,627,387	809,335
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	2,590,872	2,335,332
8- Income from Derivative Transactions		325,415	1,550,944
9- Other Investments	26	9,746,358	7,667,100
10- Income Transferred from Life Section		-	-
<b>L- Investment Expense (-)</b>		<b>(7,602,775)</b>	<b>(7,901,375)</b>
1- Investment Management Expenses (inc. interest)		(2,081,878)	(2,174,929)
2- Diminution in Value of Investments		(6,563)	(2,700)
3- Loss from Disposal of Financial Assets		(1,467,101)	(2,119,211)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(646,502)	(856,035)
7- Depreciation and Amortization Expenses	6,8	(3,400,731)	(2,748,500)
8- Other Investment Expenses		-	-
<b>M- Income and Expenses From Other and Extraordinary Operation(+/-)</b>		<b>(5,979,239)</b>	<b>(2,140,430)</b>
1- Provisions	47	(5,646,508)	200,539
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	275,348	-
6- Deferred Taxation (Deferred Tax Liabilities)	21	-	(1,946,014)
7- Other Income		14,415	4,019
8- Other Expenses and Losses		(622,494)	(398,974)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
<b>N- Net Profit for the Year</b>	<b>37</b>	<b>64,669,510</b>	<b>71,397,334</b>
1- Profit for the Year		78,084,510	86,832,334
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(13,415,000)	(15,435,000)
3- Net Profit for the Year	37	<b>64,669,510</b>	<b>71,397,334</b>
4- Monetary Gains and Losses		-	-

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Changes in Equity

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

#### Audited Changes in Equity - 31 December 2010

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
<b>I - Balance at the end of the previous year - 31 December 2009</b>		<b>250,000,000</b>	-	<b>27,721,772</b>	-
<b>II - Change in Accounting Standards</b>		-	-	-	-
<b>III - Restated balances (I+II) - 1 January 2010</b>		<b>250,000,000</b>	-	<b>27,721,772</b>	-
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 - Transfers from retained earnings	15	-	-	-	-
<b>IV - Balance at the end of the year - 31 December 2010</b>		<b>250,000,000</b>	-	<b>33,893,427</b>	-

#### Audited Changes in Equity - 31 December 2011

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
<b>I - Balance at the end of the year period - 31 December 2010</b>		<b>250,000,000</b>	-	<b>33,893,427</b>	-
<b>II - Change in Accounting Standards</b>		-	-	-	-
<b>III - Restated balances (I+II) -1 January 2011</b>		<b>250,000,000</b>	-	<b>33,893,427</b>	-
A- Capital increase (A1+A2)		50,000,000	-	-	-
1- In cash		-	-	-	-
2- From reserves		50,000,000	-	-	-
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	-	-	(43,494,821)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Dividends paid	38	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-
<b>IV - Balance at the end of the year - 31 December 2011</b>		<b>300,000,000</b>	-	<b>(9,601,394)</b>	-

# Unconsolidated Statement of Changes in Equity For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (or Loss) for the Period	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

Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (or Loss) for the Period	Retained Earnings	Total
-	53,156,391	23,652,466	13,367,976	71,397,334	5,178,360	450,645,954
-	-	-	-	-	-	-
-	53,156,391	23,652,466	13,367,976	71,397,334	5,178,360	450,645,954
-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
-	-	-	-	-	-	-
-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(43,494,821)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	64,669,510	-	64,669,510
-	-	-	-	(41,658,560)	-	(41,658,560)
-	6,483,692	5,362,677	17,892,405	(29,738,774)	-	-
-	59,640,083	9,095,243	1,219,776	64,669,510	5,138,865	430,162,083

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Cash Flows

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		657,443,289	574,302,308
2. Cash provided from reinsurance activities		142,685	130,536
3. Cash provided from individual pension business		122,030,762	93,237,766
4. Cash used in insurance activities		(555,773,433)	(454,639,558)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(109,744,982)	(67,586,799)
<b>7. Cash provided by operating activities</b>		<b>114,098,321</b>	<b>145,444,253</b>
8. Interest paid		-	-
9. Income taxes paid		(15,139,000)	(17,268,730)
10. Other cash inflows		15,411,336	6,940,845
11. Other cash outflows		-	(58,558,802)
<b>12. Net cash provided by operating activities</b>		<b>114,370,657</b>	<b>76,557,566</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets		27,618	45,959
2. Acquisition of tangible assets	6,8	(3,260,344)	(1,233,701)
3. Acquisition of financial assets		(510,600,171)	(1,059,104,978)
4. Proceeds from disposal of financial assets		303,058,650	953,892,589
5. Interests received		120,153,890	89,041,805
6. Dividends received		2,961,934	2,399,321
7. Other cash inflows		14,623,486	10,630,889
8. Other cash outflows		(8,763,426)	(4,049,002)
<b>9. Net cash used in investing activities</b>		<b>(81,798,363)</b>	<b>(8,377,118)</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		(41,658,560)	(56,815,040)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
<b>7. Net cash provided by financing activities</b>		<b>(41,658,560)</b>	<b>(56,815,040)</b>
<b>D. Effect of exchange rate fluctuations on cash and cash equivalents</b>			
		-	-
<b>E. Net increase in cash and cash equivalents</b>		<b>(9,086,266)</b>	<b>11,365,408</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>128,551,536</b>	<b>117,186,128</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>119,465,270</b>	<b>128,551,536</b>

# Anadolu Hayat Emeklilik

## Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011 <sup>(*)</sup>	Audited Prior Period 31 December 2010
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>			
1.1. PERIOD PROFIT <sup>(*)</sup>		76,335,800	88,179,608
1.2. TAXES AND DUTIES PAYABLE		(13,415,000)	(15,435,000)
1.2.1. Corporate Tax (Income Tax)		(13,415,000)	(15,435,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
<b>A. CURRENT PERIOD PROFIT (1.1 - 1.2)</b>		<b>62,920,800</b>	<b>72,744,608</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		(3,233,476)	(3,567,836)
1.5 OTHER STATUTORY RESERVES (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]</b>		<b>59,687,324</b>	<b>69,176,772</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(13,891,447)
1.6.1. To owners of ordinary shares		-	(13,891,447)
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 (-)		-	(1,658,560)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To owners of ordinary shares		-	(26,108,553)
1.9.2. To owners of privileged shares		-	(26,108,553)
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. LEGAL RESERVES (-)		-	-
1.11. STATUTORY RESERVES(-)		-	(2,915,856)
1.12. EXTRAORDINARY RESERVES		-	(5,362,677)
1.13. OTHER RESERVES		-	(17,851,800)
1.14. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
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 (-)		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1. TO OWNERS OF ORDINARY SHARES		0.20974	0.29098
3.2. TO OWNERS OF ORDINARY SHARES (%)		20.974	29.098
3.3. TO OWNERS OF PRIVILEGED SHARES		0.20974	0.29098
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		20.974	29.098
<b>IV. DIVIDEND PER SHARE</b>			
4.1. TO OWNERS OF ORDINARY SHARES	38	-	0.16
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	16.0
4.3. TO OWNERS OF PRIVILEGED SHARES		-	0.16
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	16.0

(\*) 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 reporting 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

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 2011, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 83.0% of the outstanding shares of the Company.

Name	31 December 2011		31 December 2010	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ	186,000,000	62.0	155,000,000	62.0
Anadolu Anonim Türk Sigorta Şirketi	60,000,000	20.0	50,000,000	20.0
Milli Reasürans TAŞ	3,000,000	1.0	2,500,000	1.0
Publicly traded	51,000,000	17.0	42,500,000	17.0
<b>Paid in capital</b>	<b>300,000,000</b>	<b>100.0</b>	<b>250,000,000</b>	<b>100.0</b>

##### 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 2011, the Company has 19 individual pension investment funds (31 December 2010: 19). In addition, as of the reporting date, two individual pension investment funds have been registered in Capital Markets Board but initial public offering has not been executed yet.

##### 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 its 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

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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

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

	31 December 2011	31 December 2010
Senior level managers	7	6
Directors	84	79
Officers	272	255
Contracted personnel	6	6
Marketing and sales personnel	312	287
Other	14	20
<b>Total</b>	<b>695</b>	<b>653</b>

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

For the year ended 31 December 2011, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TRY 3,158,228 (31 December 2010: 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. In accordance with the above mentioned Communiqué, 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 number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered "Amendments 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. Amendment is effective from 1 January 2011. 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.

Amendment related with the distribution key has the following effects:

Branch	31 December 2011		Difference
	Technical income-expense (New distribution key)	Technical income-expense (Old distribution key)	
Individual pension business	4,763	16,318,351	(16,313,588)
Life branch	34,446,776	18,235,841	16,210,935
Non-life branch	(7,057)	(109,710)	102,653
<b>Total</b>	<b>34,444,482</b>	<b>34,444,482</b>	<b>-</b>

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 the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

## 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*, the Company has prepared consolidated financial statements as at 31 December 2011 separately.

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

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	: www.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 reporting period.

## 1.10 Events after the reporting period

At the Board of Directors meeting of the Company held on 23 January 2012, it was resolved that the new regional office to be established in Antalya in the name of "Mediterranean Regional Office" and head office be responsible for related processes.

## 2 Summary of 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.

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

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

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no 1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board.

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#### 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 reporting period, 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 policies 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.

#### 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, financial investments with risks on saving life policyholders classified as available-for-sale financial assets and derivative financial instruments 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 period.

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*.

#### 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 AŞ.

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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 37<sup>th</sup> paragraph of *TAS 27 - Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting period 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 reporting period 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. Foreign currency exchange differences of unrecognized gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

#### 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 period.

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

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(Currency: Turkish Lira (TRY))

#### 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.

#### 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 favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

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

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

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

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*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* 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 2011, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounting to TRY 7,125,182 (31 December 2010: TRY 112,598,382) 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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(Currency: Turkish Lira (TRY))

#### 2.9 Impairment on assets

##### Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting period 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 reporting period, 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 period are detailed in *Note 47*.

#### 2.10 Derivative Financial Instruments

As at the reporting period, 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 fair value.

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 re-measured 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, 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.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

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#### 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 of 31 December 2011, the Company's issued capital is TRY 300,000,000 (31 December 2010: TRY 250,000,000).

#### Sources of the capital increases during the period

The Company's issued capital increased from TRY 250,000,000 to TRY 300,000,000 by TRY 50,000,000 through the transfer of extraordinary reserves by TRY 30,000,000, statutory reserves by TRY 18,917,988 inflation adjustment on statutory reserves by TRY 1,001,912 and income from the disposal of the subsidiaries by TRY 80,100.

#### Privileges on common shares representing share capital

As at 31 December 2011, the share capital of the Company was amounted TRY 300,000,000 (31 December 2010: TRY 250,000,000), divided into 30,000,000,000 shares (31 December 2010: 25,000,000,000 shares) with each has a nominal value of TRY 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TRY 0.01 for each and 29,900,000,000 Group B shares having a nominal values of TRY 0.01 for each. 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. It has been resolved in the Ordinary General Assembly of the Company held at 29 March 2011 that the registered capital of the Company is to be increased to TRY 450,000,000 (31 December 2010: TRY 300,000,000). Registration is completed at 18 April 2011.

#### 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 at the reporting period, 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 2011 and 2010, 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.

According to the "General Communique on Corporate Tax" promulgated in Official Gazette no 28178 dated 19 January 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously. Amendment is applied to the accompanying financial statements since General Communique on Corporate Tax is applicable as at 31 December 2011.

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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 Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2011 is TRY 2,731.85 (31 December 2010: 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 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Discount rate	2.58% - 4.50%	4.66%
Expected rate of salary/limit increase	5.00%	5.10%

##### Other benefits

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

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## Notes to the Unconsolidated 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 reporting period 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 period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

#### 2.21 Revenue recognition

##### Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods 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 reporting period 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 at the reporting period. 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.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

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#### 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 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.

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## Notes to the Unconsolidated Financial Statements

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#### 2.23 Dividend distribution

In accordance with the Articles of Incorporation 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 incorporation, 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 reporting period 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 policies become active at 12:00 at noon and end at 12:00 at noon.

#### 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 2011 and 2010, related test have not resulted any deficiency in the premiums of the Company.

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### As at 31 December 2011

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#### 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 reporting period 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 reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 3,559,695 (31 December 2010: TRY 3,218,627).

According to the 7<sup>th</sup> article 6<sup>th</sup> 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 2011, 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 reporting period, IBNR is recorded as 90% of the result obtained by multiplying weighted average IBNR ratio by the premium production of last 12 months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 57,854 (31 December 2010: TRY 34,885).

#### 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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## Notes to the Unconsolidated Financial Statements As at 31 December 2011

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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 2,194,716 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (31 December 2010: TRY 1,220,317).

### 2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

### 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.

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

## 2.31 Events after the reporting period

"Events After the Reporting Period"; post-reporting date events that provide additional information about the Company's position at the reporting periods (adjusting events) are reflected in the unconsolidated financial statements. Post-reporting date 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 2011. 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.

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

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 *IFRS 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 *IFRS 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 IFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this IFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

Amendments to IAS 1 - "*Presentation of Items of Other Comprehensive Income*" are effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

Revised IFRS 13 "*Fair Value Measurement*" replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity shall apply IFRS 13 for annual periods beginning on or after 1 January 2013.

The amended IAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

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## Notes to the Unconsolidated Financial Statements As at 31 December 2011

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

- IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 *Joint Arrangements* focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case) and supersedes IAS 31 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* introduce an exception to the general measurement requirements of IAS 12 *Income Taxes* in respect of investment properties measured at fair value. The standard is effective for annual periods beginning on or after 1 January 2012.
- IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008). IAS 28 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.

### 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 2.26* - Provision for outstanding claims

*Note 2.27* - Mathematical provisions

*Note 4.1* - Management of insurance risk

*Note 4.2* - Financial risk management

*Note 7* - Investment properties

*Note 11* - Financial assets

*Note 12* - Loans and receivables

*Note 21* - Deferred income tax

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#### 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 2011, the Company's life insurance claims/premiums ratio stands at 21%. 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 of 31 December 2011, the Company's personal accident insurance claims/premiums ratio is 24%. 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 periods is presented below:

	31 December 2011	31 December 2010
Life insurance	21%	27%
Personal accident	24%	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 at 31 December 2011 and 2010, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	31 December 2011	31 December 2010
Death by natural cause	7%	6%
Death by accident	36%	32%
Disability by accident	49%	46%
Disability by illness	46%	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 100,000 or "death by accident" risk account exceeds TRY 200,000 in its individual life branch in 2011, 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 360,000 for its group life policies.

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

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## 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 2011			
Branches	Total gross risk liability (*)	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	31,140,489,747	5,697,118,108	25,443,371,639
Personal accident	2,454,613,668	1,019,646,081	1,434,967,587
<b>Total</b>	<b>33,595,103,415</b>	<b>6,716,764,189</b>	<b>26,878,339,226</b>

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
<b>Total</b>	<b>28,623,827,310</b>	<b>5,199,234,811</b>	<b>23,424,592,499</b>

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

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 2011			
Claims liability total (*)	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	18,513,556	673,064	17,840,492
Central Anatolian Region	7,724,049	1,230	7,722,819
Aegean Region	5,899,367	3,465	5,895,902
Mediterranean Region	4,642,081	28,720	4,613,361
Black Sea Region	3,466,193	5,583	3,460,610
South East Anatolian Region	1,980,702	-	1,980,702
East Anatolian Region	1,843,162	-	1,843,162
Foreign countries (other)	2,640,316	-	2,640,316
<b>Total</b>	<b>46,709,426</b>	<b>712,062</b>	<b>45,997,364</b>

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
<b>Total</b>	<b>52,339,991</b>	<b>449,747</b>	<b>51,890,244</b>

(\*) 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

As at 31 December 2011, 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 period, 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.

#### 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 2011 and 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.

31 December 2011	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
<b>Maximum credit risk exposure as at the reporting period (A+B+C)</b>	<b>118,775</b>	<b>59,572,132</b>	<b>232,068</b>	<b>7,662,810</b>	<b>2,297,877,021</b>	<b>119,840,513</b>
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	118,775	55,283,626	232,068	7,662,810	2,297,877,021	119,840,513
B. Net book value of part due but not impaired assets	-	4,288,506	-	-	-	-
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 2010	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
<b>Maximum credit risk exposure as at the reporting period (A+B+C)</b>	<b>7,891</b>	<b>55,583,199</b>	<b>92,711</b>	<b>6,323,295</b>	<b>2,342,115,384</b>	<b>129,099,216</b>
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	7,891	50,115,589	92,711	6,323,295	2,342,115,384	129,099,216
B. Net book value of part 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 İMKB Takas ve Saklama Bankası AŞ (the "ISE Settlement and Custody Bank").

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 at 31 December 2011, maturity analyses of the Company's assets and liabilities are presented in the table below:

31 December 2011	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	71,627,758	33,453,543	14,707,624	-	-	-	-	119,788,925
Financial assets and investments with risks on policyholders	-	6,404,550	82,362,368	146,995,010	585,061,231	1,393,273,516	170,382,374	2,384,479,049
Receivables from main operations	-	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	-	232,068	-	-	-	232,068
Other receivables	-	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	-	4,541,053	4,541,053
<b>Total assets</b>	<b>71,627,758</b>	<b>47,183,299</b>	<b>98,074,268</b>	<b>148,707,042</b>	<b>585,061,231</b>	<b>1,393,273,516</b>	<b>3,303,807,259</b>	<b>5,647,734,373</b>
Payables arising from main operations	-	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	-	903	-	-	1,990	2,893
Other payables	-	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	-	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	-	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	-	430,162,083	430,162,083
<b>Total liabilities</b>	<b>-</b>	<b>16,135,278</b>	<b>1,837,528</b>	<b>687,472</b>	<b>-</b>	<b>4,828,646</b>	<b>5,624,245,449</b>	<b>5,647,734,373</b>
<b>Net liquidity surplus/(deficit)</b>	<b>71,627,758</b>	<b>31,048,021</b>	<b>96,236,740</b>	<b>148,019,570</b>	<b>585,061,231</b>	<b>1,388,444,870</b>	<b>(2,320,438,190)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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	192,873,899	60,498,910	649,422,758	1,405,982,591	143,887,315	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
<b>Total assets</b>	<b>56,293,177</b>	<b>79,073,200</b>	<b>193,493,929</b>	<b>62,054,409</b>	<b>649,422,758</b>	<b>1,405,982,591</b>	<b>2,852,671,110</b>	<b>5,298,991,174</b>
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 payables	-	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	-	296,000	-	-	12,734	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 liabilities	-	-	-	-	-	-	1,414,610	1,414,610
Shareholders' equity	-	-	-	-	-	-	450,645,954	450,645,954
<b>Total liabilities</b>	<b>-</b>	<b>11,228,640</b>	<b>1,012,370</b>	<b>842,558</b>	<b>-</b>	<b>3,566,916</b>	<b>5,282,340,690</b>	<b>5,298,991,174</b>
<b>Net liquidity surplus/(deficit)</b>	<b>56,293,177</b>	<b>67,844,560</b>	<b>192,481,559</b>	<b>61,211,851</b>	<b>649,422,758</b>	<b>1,402,415,675</b>	<b>(2,429,669,580)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 periods, 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 2011						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	523,616	318,401	34,489	23,491	147,235	-
2. Financial assets and financial investments with risks on policyholders	361,399,276	254,198,142	94,513,542	12,687,592	-	-
3. Receivables from main operations	598,991	486,131	105,445	7,222	-	193
4. Reinsurance receivables	41,875	-	41,875	-	-	-
5. Rent receivables	4,590	4,590	-	-	-	-
6. Deposits given	20,778	20,778	-	-	-	-
<b>Foreign currency assets, current</b>	<b>362,589,126</b>	<b>255,028,042</b>	<b>94,695,351</b>	<b>12,718,305</b>	<b>147,235</b>	<b>193</b>
<b>7. Total assets</b>	<b>362,589,126</b>	<b>255,028,042</b>	<b>94,695,351</b>	<b>12,718,305</b>	<b>147,235</b>	<b>193</b>
8. Finance lease liabilities	-	-	-	-	-	-
9. Payables to reinsurers	40,148	37,905	-	1,167	14	1,062
10. Agency guarantees	171,486	167,140	4,346	-	-	-
11. Technical provisions	328,677,846	233,976,862	84,560,016	10,015,584	23,523	101,861
<b>Foreign currency liabilities, short term</b>	<b>328,889,480</b>	<b>234,181,907</b>	<b>84,564,362</b>	<b>10,016,751</b>	<b>23,537</b>	<b>102,923</b>
<b>12. Total liabilities</b>	<b>328,889,480</b>	<b>234,181,907</b>	<b>84,564,362</b>	<b>10,016,751</b>	<b>23,537</b>	<b>102,923</b>
<b>Net financial position</b>	<b>33,699,646</b>	<b>20,846,135</b>	<b>10,130,989</b>	<b>2,701,554</b>	<b>123,698</b>	<b>(102,730)</b>
<b>Net long/(short) position on monetary items</b>	<b>33,678,868</b>	<b>20,825,357</b>	<b>10,130,989</b>	<b>2,701,554</b>	<b>123,698</b>	<b>(102,730)</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

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	-	-	-	-
<b>Foreign currency assets, current</b>	<b>308,980,613</b>	<b>207,203,975</b>	<b>88,610,401</b>	<b>13,142,264</b>	<b>22,722</b>	<b>1,251</b>
<b>7. Total assets</b>	<b>308,980,613</b>	<b>207,203,975</b>	<b>88,610,401</b>	<b>13,142,264</b>	<b>22,722</b>	<b>1,251</b>
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
<b>Foreign currency liabilities, short term</b>	<b>248,494,280</b>	<b>171,579,656</b>	<b>68,998,342</b>	<b>7,770,376</b>	<b>26,641</b>	<b>119,265</b>
<b>12. Total liabilities</b>	<b>248,494,280</b>	<b>171,579,656</b>	<b>68,998,342</b>	<b>7,770,376</b>	<b>26,641</b>	<b>119,265</b>
<b>Net financial position</b>	<b>60,486,333</b>	<b>35,624,319</b>	<b>19,612,059</b>	<b>5,371,888</b>	<b>(3,919)</b>	<b>(118,014)</b>
<b>Net long/(short) position on monetary items</b>	<b>60,463,720</b>	<b>35,601,706</b>	<b>19,612,059</b>	<b>5,371,888</b>	<b>(3,919)</b>	<b>(118,014)</b>

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 2011.

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

31 December 2011	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	1.8889	2.4438	2.9170	2.0062	0.0243

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

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2011 and 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 2011				
	Profit/loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>If USD value changes by 10% against TRY</b>				
1- Net US Dollar assets/liabilities	1.963.225	(1.963.225)	2.084.614	(2.084.614)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>1.963.225</b>	<b>(1.963.225)</b>	<b>2.084.614</b>	<b>(2.084.614)</b>
<b>If EUR value changes by 10% against TRY</b>				
4- Net Euro assets/liabilities	1.006.851	(1.006.851)	1.013.099	(1.013.099)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>1.006.851</b>	<b>(1.006.851)</b>	<b>1.013.099</b>	<b>(1.013.099)</b>
<b>If GBP value changes by 10% against TRY</b>				
7- Net GBP assets/liabilities	266.807	(266.807)	270.155	(270.155)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>266.807</b>	<b>(266.807)</b>	<b>270.155</b>	<b>(270.155)</b>
<b>If CHF value changes by 10% against TRY</b>				
10- Net CHF assets/liabilities	12.370	(12.370)	12.370	(12.370)
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>12.370</b>	<b>(12.370)</b>	<b>12.370</b>	<b>(12.370)</b>
<b>If JPY value changes by 10% against TRY</b>				
13- Net JPY assets/liabilities	(10.273)	10.273	(10.273)	10.273
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(10.273)</b>	<b>10.273</b>	<b>(10.273)</b>	<b>10.273</b>
<b>Total (3+6+9+12+15)</b>	<b>3.238.980</b>	<b>(3.238.980)</b>	<b>3.369.965</b>	<b>(3.369.965)</b>

(\*) Includes profit/loss effect.

## Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

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
<b>If USD value changes by 10% against TRY</b>				
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 (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>3.374.998</b>	<b>(3.374.998)</b>	<b>3.562.432</b>	<b>(3.562.432)</b>
<b>If EUR value changes by 10% against TRY</b>				
4- Net Euro assets/liabilities	1.931.172	(1.931.172)	1.961.206	(1.961.206)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>1.931.172</b>	<b>(1.931.172)</b>	<b>1.961.206</b>	<b>(1.961.206)</b>
<b>If GBP value changes by 10% against TRY</b>				
7- Net GBP assets/liabilities	527.261	(527.261)	537.189	(537.189)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>527.261</b>	<b>(527.261)</b>	<b>537.189</b>	<b>(537.189)</b>
<b>If CHF value changes by 10% against TRY</b>				
10- Net CHF assets/liabilities	(392)	392	(392)	392
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>(392)</b>	<b>392</b>	<b>(392)</b>	<b>392</b>
<b>If JPY value changes by 10% against TRY</b>				
13- Net JPY assets/liabilities	(11.801)	11.801	(11.801)	11.801
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(11.801)</b>	<b>11.801</b>	<b>(11.801)</b>	<b>11.801</b>
<b>Total (3+6+9+12+15)</b>	<b>5.821.238</b>	<b>(5.821.238)</b>	<b>6.048.634</b>	<b>(6.048.634)</b>

(\*) Includes profit/loss effect.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	31 December 2011	31 December 2010
<b>Fixed rate financial instruments</b>		
Financial assets	1,632,216,630	1,713,869,071
<i>Financial assets at fair value through profit or loss</i>	4,111,040	12,438,421
<i>Available-for-sale financial assets</i>	1,627,805,838	1,701,133,134
<i>Loans and receivables</i>	299,752	297,516
Banks	48,161,167	72,775,964
<b>Variable rate financial instruments</b>		
Financial assets	581,880,045	595,206,603

#### Interest rate sensitivity of financial instruments

As at 31 December 2011 and 2010, interest rate risk analysis of financial assets and financial liabilities are summarized in the table below:

31 December 2011	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<b>Assets:</b>							
Cash and cash equivalents	33,453,543	14,707,624	-	-	-	71,627,758	119,788,925
Financial assets and investments with risks on policyholders	496,889,994	169,761,559	147,941,677	248,063,521	1,151,439,924	170,382,374	2,384,479,049
Receivables from main operations	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	232,068	-	-	-	232,068
Other receivables	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	4,541,053	4,541,053
<b>Total assets</b>	<b>537,668,743</b>	<b>185,473,459</b>	<b>149,653,709</b>	<b>248,063,521</b>	<b>1,151,439,924</b>	<b>3,375,435,017</b>	<b>5,647,734,373</b>
<b>Liabilities:</b>							
Payables arising from main operations	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	903	-	-	1,990	2,893
Other liabilities	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	430,162,083	430,162,083
<b>Total liabilities and equity</b>	<b>16,135,278</b>	<b>1,837,528</b>	<b>687,472</b>	<b>-</b>	<b>4,828,646</b>	<b>5,624,245,449</b>	<b>5,647,734,373</b>
<b>Net position</b>	<b>521,533,465</b>	<b>183,635,931</b>	<b>148,966,237</b>	<b>248,063,521</b>	<b>1,146,611,278</b>	<b>(2,248,810,432)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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
<b>Assets:</b>							
Cash and cash equivalents	72,775,963	-	-	-	-	56,293,177	129,069,140
Financial assets and investments with risks on policyholders	498,540,852	285,874,223	64,461,853	393,805,811	1,066,392,935	143,887,315	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
<b>Total assets</b>	<b>577,316,536</b>	<b>286,494,253</b>	<b>66,017,352</b>	<b>393,805,811</b>	<b>1,066,392,935</b>	<b>2,908,964,287</b>	<b>5,298,991,174</b>
<b>Liabilities:</b>							
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
<b>Total liabilities and equity</b>	<b>11,228,640</b>	<b>1,012,370</b>	<b>546,558</b>	<b>-</b>	<b>3,566,916</b>	<b>5,282,636,690</b>	<b>5,298,991,174</b>
<b>Net position</b>	<b>566,087,896</b>	<b>285,481,883</b>	<b>65,470,794</b>	<b>393,805,811</b>	<b>1,062,826,019</b>	<b>(2,373,672,403)</b>	<b>-</b>

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 2011 and 2010 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2011 and 2010. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2011 and 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 2011	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(4,677,402)	4,935,000	(21,169,450)	27,704,187
<b>Total, net</b>	<b>(4,677,402)</b>	<b>4,935,000</b>	<b>(21,169,450)</b>	<b>27,704,187</b>

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
<b>Total, net</b>	<b>(2,460,827)</b>	<b>2,559,809</b>	<b>(11,414,736)</b>	<b>13,909,059</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 reporting period, 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.

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

	31 December 2011			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Financial assets held for trading	53,243,910	-	-	53,243,910
Available for sale financial assets (*)	347,901,805	-	-	347,901,805
Financial investments with risks on policyholders classified as available for sale	1,961,449,072	-	-	1,961,449,072
Loans and Receivables	299,752	-	-	299,752
Receivables from individual pension business	3,030,069,969	-	-	3,030,069,969
<b>Total financial assets</b>	<b>5,392,964,508</b>	<b>-</b>	<b>-</b>	<b>5,392,964,508</b>
<b>Financial liabilities:</b>				
Investment contract liabilities - life mathematical provision for saving life policies	2,027,283,249	-	-	2,027,283,249
Payables arising from individual pension business (**)	3,030,069,969	-	-	3,030,069,969
<b>Total financial liabilities</b>	<b>5,057,353,218</b>	<b>-</b>	<b>-</b>	<b>5,057,353,218</b>

(\*) As at 31 December 2011, securities that are not publicly traded amounting to TRY 31,884,292 have been measured at cost and are excluded from the table.

(\*\*) Includes investments directed individual pension funds.

# Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

	31 December 2010			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
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
<b>Total financial assets</b>	<b>5,053,501,543</b>	<b>-</b>	<b>-</b>	<b>5,053,501,543</b>

<i>Financial liabilities:</i>				
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
<b>Total financial liabilities</b>	<b>4,710,719,988</b>	<b>-</b>	<b>-</b>	<b>4,710,719,988</b>

(\*) 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.

(\*\*) Includes investments directed individual pension funds.

*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.

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 2011 and 2010.

	Change in index	31 December 2011	31 December 2010
Market price of equity	10%	6,118,104	7,930,380

The effect of changes in fair values of the financial assets held for trading 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 2011 and 2010.

	Change in index	31 December 2011	31 December 2010
Market price of equity	10%	383,648	1,242,004

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Value at risk

As at 31 December 2011, the Company's total value at risk is TRY 2,205,397 and basis of the calculation is presented in the below table:

Value at risk	31 December 2011	31 December 2010
<b>TRY transactions</b>	<b>2,111,802</b>	<b>1,041,673</b>
TRY marketable securities	2,111,802	1,041,673
<b>FC transactions</b>	<b>5,782</b>	<b>6,567</b>
Foreign currency position	5,782	6,567
<b>Equity shares</b>	<b>274,220</b>	<b>458,561</b>
Held for trading securities	274,220	458,561
<b>Effect of portfolio diversity</b>	<b>(186,407)</b>	<b>(217,022)</b>
<b>Total</b>	<b>2,205,397</b>	<b>1,289,779</b>

#### 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.

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 2011 is summarized below. As at 31 December 2011, the capital adequacy of the Company is TRY 116,010,603 and TRY 65,787,688; 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 2011. The Company's capital calculated based on the regulation as at 31 December 2011 TRY 430,162,083. Consequently, the Company's capital is adequate.

Capital Adequacy Table		
	31 December 2011	31 December 2010
<b>1. method</b>		
Required capital for non-life branches	186,997	178,239
Required capital for life branch	106,373,431	100,852,982
Required capital for pension branch	9,450,175	8,424,900
<b>Required capital based on the first method</b>	<b>116,010,603</b>	<b>109,456,121</b>
<b>2. method</b>		
Required capital for asset risk	42,499,418	37,007,944
Required capital for reinsurance risk	2,531,662	538,642
Required capital for excessive premium increase	96,239	-
Required capital for outstanding claims risk	1,240,373	1,378,594
Required capital for underwriting risk	16,892,523	17,514,360
Required capital for interest rate and currency risk	2,527,473	533,821
<b>Required capital based on the second method</b>	<b>65,787,688</b>	<b>56,973,361</b>
<b>Required capital</b>	<b>116,010,603</b>	<b>109,456,121</b>
<b>Current capital</b>	<b>430,162,083</b>	<b>450,645,954</b>
<b>Excessive capital</b>	<b>314,151,480</b>	<b>341,189,833</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 9 August 2010.

31 December 2011	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
Technical income	563,171,487	113,849,562	324,579	677,345,628
Technical expense	(528,724,711)	(113,844,799)	(331,636)	(642,901,146)
Total of other income and expense	21,814,838	21,689,094	136,096	43,640,028
<b>Income before tax</b>	<b>56,261,614</b>	<b>21,693,857</b>	<b>129,039</b>	<b>78,084,510</b>
Income tax expense	-	-	-	(13,415,000)
<b>Net profit for the period</b>	<b>56,261,614</b>	<b>21,693,857</b>	<b>129,039</b>	<b>64,669,510</b>

31 December 2011	Life	Individual Pension	Personal Accident	Total
Segment assets	2,303,523,363	3,329,842,463	14,368,547	5,647,734,373
<b>Total assets</b>	<b>2,303,523,363</b>	<b>3,329,842,463</b>	<b>14,368,547</b>	<b>5,647,734,373</b>
Segment liabilities	(2,311,736,173)	(3,321,563,897)	(14,434,303)	(5,647,734,373)
<b>Total liabilities</b>	<b>(2,311,736,173)</b>	<b>(3,321,563,897)</b>	<b>(14,434,303)</b>	<b>(5,647,734,373)</b>

Other segment information				
Depreciation and amortization	(1,699,962)	(1,690,163)	(10,606)	<b>(3,400,731)</b>

31 December 2010	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
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
<b>Income before tax</b>	<b>63,949,989</b>	<b>22,760,330</b>	<b>122,015</b>	<b>86,832,334</b>
Income tax expense	-	-	-	(15,435,000)
<b>Net profit for the period</b>	<b>63,949,989</b>	<b>22,760,330</b>	<b>122,015</b>	<b>71,397,334</b>

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
<b>Total assets</b>	<b>2,558,881,548</b>	<b>2,722,324,906</b>	<b>17,784,720</b>	<b>5,298,991,174</b>
Segment liabilities	(2,533,359,814)	(2,748,025,256)	(17,606,104)	(5,298,991,174)
<b>Total liabilities</b>	<b>(2,533,359,814)</b>	<b>(2,748,025,256)</b>	<b>(17,606,104)</b>	<b>(5,298,991,174)</b>

Other segment information				
Depreciation and amortization	(2,290,552)	(441,950)	(15,998)	<b>(2,748,500)</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Land (*)	1,832,831	-	-	1,832,831
Buildings (*)	25,379,158	-	-	25,379,158
Machinery and equipment	3,868,855	753,469	(409,622)	4,212,702
Vehicles	797,979	-	-	797,979
Furniture and fixtures (includes leased assets)	3,593,781	265,233	(135,111)	3,723,903
Leasehold improvements	2,023,864	296,761	(90,998)	2,229,627
	<b>37,496,468</b>	<b>1,315,463</b>	<b>(635,731)</b>	<b>38,176,200</b>
<i>Accumulated depreciation:</i>				
Buildings (*)	(9,413,496)	(508,688)	-	(9,922,184)
Machinery and equipment	(2,452,743)	(598,660)	408,991	(2,642,412)
Vehicles	(430,869)	(115,705)	-	(546,574)
Furniture and fixtures (includes leased assets)	(2,538,895)	(333,707)	113,219	(2,759,383)
Leasehold improvements	(1,244,738)	(248,972)	90,999	(1,402,711)
	<b>(16,080,741)</b>	<b>(1,805,732)</b>	<b>613,209</b>	<b>(17,273,264)</b>
<b>Carrying amounts</b>	<b>21,415,727</b>			<b>20,902,936</b>

(\*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 14,750,206 are investment properties and given in Note 7 - Investment properties 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 2010 is presented below:

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
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
	<b>36,483,510</b>	<b>1,233,701</b>	<b>(220,743)</b>	<b>37,496,468</b>
<i>Accumulated depreciation:</i>				
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)
	<b>(14,429,775)</b>	<b>(1,826,272)</b>	<b>175,306</b>	<b>(16,080,741)</b>
<b>Carrying amounts</b>	<b>22,053,735</b>			<b>21,415,727</b>

(\*) 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 - Investment properties in detail. Total impairment losses on own use land amounted to TRY 417,070.

There are no pledges on tangible assets.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 7 Investment properties

Movement in investment properties in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	<b>25,873,087</b>	-	-	<b>25,873,087</b>
<i>Accumulated depreciation:</i>				
Buildings	(9,221,825)	(489,225)	-	(9,711,050)
	<b>(9,221,825)</b>	<b>(489,225)</b>	-	<b>(9,711,050)</b>
<b>Carrying amounts</b>	<b>16,651,262</b>			<b>16,162,037</b>

For the year ended 31 December 2011, the Company has rental income from investment properties amounting TRY 2,590,872 (31 December 2010: TRY 2,335,332).

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
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	<b>25,873,087</b>	-	-	<b>25,873,087</b>
<i>Accumulated depreciation:</i>				
Buildings	(8,732,600)	(489,225)	-	(9,221,825)
	<b>(8,732,600)</b>	<b>(489,225)</b>	-	<b>(9,221,825)</b>
<b>Carrying amounts</b>	<b>17,140,487</b>			<b>16,651,262</b>

As at 31 December 2011, total fair value of the Company's investment properties amounting 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.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Rights	6,354,781	1,944,881	-	8,299,662
	<b>6,354,781</b>	<b>1,944,881</b>	-	<b>8,299,662</b>
<i>Accumulated amortization:</i>				
Rights	(3,971,771)	(1,594,999)	-	(5,566,770)
	<b>(3,971,771)</b>	<b>(1,594,999)</b>	-	<b>(5,566,770)</b>
<b>Carrying amounts</b>	<b>2,383,010</b>			<b>2,732,892</b>

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

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
Rights	5,019,866	1,334,915	-	6,354,781
	<b>5,019,866</b>	<b>1,334,915</b>	-	<b>6,354,781</b>
<i>Accumulated amortization:</i>				
Rights	(3,049,543)	(922,228)	-	(3,971,771)
	<b>(3,049,543)</b>	<b>(922,228)</b>	-	<b>(3,971,771)</b>
<b>Carrying amounts</b>	<b>1,970,323</b>			<b>2,383,010</b>

#### 9 Investments in associates

	31 December 2011		31 December 2010	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	8,762,193	20.0%	5,762,193	20.0%
<b>Investments in associates, net</b>	<b>8,762,193</b>		<b>5,762,193</b>	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	61,547,285	59,688,436	2,449,493	9,393,386	Audited	31 December 2011

The Company has obtained bonus shares through capital increases in associates from profit or capital reserves amounting to TRY 3,000,000. The Company has TRY 627,387 of dividend income from associates.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 2011	31 December 2010
Reserve for unearned premiums, ceded (Note 17.15)	1,557,276	1,290,764
Provision for outstanding claims, ceded (Note 17.15)	990,491	589,625
Life mathematical reserve, ceded (Note 17.15)	5,255,492	3,294,984
<b>Total</b>	<b>7,803,259</b>	<b>5,175,373</b>

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2011	31 December 2010
Current account of insurance companies	1,837,528	1,012,370
Cash deposited by insurance and reinsurance companies (Note 19)	686,569	543,884
<b>Total</b>	<b>2,524,097</b>	<b>1,556,254</b>

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

	31 December 2011	31 December 2010
<i>Life branch:</i>		
Premiums ceded during the period	(10,395,167)	(7,229,203)
Change in unearned premiums reserve, ceded	212,820	93,438
Commissions received from reinsurers (*)	1,666,551	1,058,214
Reinsurers share of claims paid	1,635,751	893,392
Change in outstanding claims, ceded	363,919	57,601
Change in life mathematical reserve, ceded	1,960,508	2,054,433
	<b>(4,555,618)</b>	<b>(3,072,125)</b>
<i>Non-life branch:</i>		
Premiums ceded during the period	(190,521)	(93,921)
Change in unearned premiums reserve, ceded	53,692	(12,466)
Commissions received from reinsurers (*)	59,795	15,279
Reinsurers share of claims paid	-	3,957,078
Change in outstanding claims, ceded	37,101	(105,289)
	<b>(39,933)</b>	<b>3,760,681</b>
<b>Total, net</b>	<b>(4,595,551)</b>	<b>688,556</b>

(\*) Deferred commissions are excluded from commissions received from reinsurers.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 11 Financial assets

As at 31 December 2011 and 2010, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2011	31 December 2010
Available for sale financial assets, Company's own portfolio	379,786,097	377,260,875
Financial assets held for trading purpose	53,243,910	65,860,731
Loans and receivables	299,752	297,516
Financial investments with risks on saving life policyholders classified as available for sale	1,961,449,072	2,016,552,956
Impairment loss on financial assets	(10,299,782)	(7,009,089)
<b>Total</b>	<b>2,384,479,049</b>	<b>2,452,962,989</b>

As at 31 December 2011 and 2010, the Company's financial assets held for trading are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds	4,090,199	4,073,864	4,121,364	4,121,364
Government bonds and treasury bills	6,500,000	6,170,899	6,258,273	6,258,273
<b>Total financial assets held for trading purpose - debt instruments</b>	<b>10,590,199</b>	<b>10,244,763</b>	<b>10,379,637</b>	<b>10,379,637</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares		3,787,332	3,836,479	3,836,479
Investment funds and Turkish derivatives exchange contracts		36,801,538	39,027,794	39,027,794
<b>Total financial assets held for trading purpose - other</b>		<b>40,588,870</b>	<b>42,864,273</b>	<b>42,864,273</b>
<b>Total financial assets held for trading purpose</b>		<b>50,833,633</b>	<b>53,243,910</b>	<b>53,243,910</b>
	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
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
<b>Total financial assets held for trading purpose - debt instruments</b>	<b>20,808,199</b>	<b>19,654,131</b>	<b>20,400,985</b>	<b>20,400,985</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
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
<b>Total financial assets held for trading purpose - other</b>		<b>36,914,887</b>	<b>45,459,746</b>	<b>45,459,746</b>
<b>Total financial assets held for trading purpose</b>		<b>56,569,018</b>	<b>65,860,731</b>	<b>65,860,731</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011, the Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	341,673,886	37,096,298	38,631,989	38,631,989
Private sector bonds	772,000	743,523	747,622	747,622
Equity shares	25,000	91,930	60,500	60,500
<b>Total</b>	<b>342,470,886</b>	<b>37,931,751</b>	<b>39,440,111</b>	<b>39,440,111</b>

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
Investment funds	291,618,718	28,759,312	35,121,517	35,121,517
Equity shares	50,000	125,500	130,500	130,500
<b>Total</b>	<b>291,668,718</b>	<b>28,884,812</b>	<b>35,252,017</b>	<b>35,252,017</b>

As at 31 December 2011 and 2010, the Company's loans and receivables are detailed as follows:

	31 December 2011		
	Cost	Fair value	Carrying value
Reverse repo	299,590	299,752	299,752
<b>Total loans and receivables</b>	<b>299,590</b>	<b>299,752</b>	<b>299,752</b>

	31 December 2010		
	Cost	Fair value	Carrying value
Reverse repo	297,464	297,516	297,516
<b>Total loans and receivables</b>	<b>297,464</b>	<b>297,516</b>	<b>297,516</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011 and 2010, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	298,604,011	283,916,309	286,720,766	286,720,766
<b>Total available for sale financial assets - debt instruments</b>	<b>298,604,011</b>	<b>283,916,309</b>	<b>286,720,766</b>	<b>286,720,766</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		95,095,189	93,065,331	93,065,331
<b>Total available for sale financial assets - other</b>		<b>95,095,189</b>	<b>93,065,331</b>	<b>93,065,331</b>
<b>Total available for sale financial assets</b>		<b>379,011,498</b>	<b>379,786,097</b>	<b>379,786,097</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(10,299,782)</b>	<b>(10,299,782)</b>	<b>(10,299,782)</b>
<b>Net available for sale financial assets</b>		<b>368,711,716</b>	<b>369,486,315</b>	<b>369,486,315</b>

(\*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	262,699,842	250,937,359	271,824,217	271,824,217
<b>Total available for sale financial assets - debt instruments</b>	<b>262,699,842</b>	<b>250,937,359</b>	<b>271,824,217</b>	<b>271,824,217</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		77,738,578	105,436,658	105,436,658
<b>Total available for sale financial assets - other</b>		<b>77,738,578</b>	<b>105,436,658</b>	<b>105,436,658</b>
<b>Total available for sale financial assets</b>		<b>328,675,937</b>	<b>377,260,875</b>	<b>377,260,875</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(7,009,089)</b>	<b>(7,009,089)</b>	<b>(7,009,089)</b>
<b>Net available for sale financial assets</b>		<b>321,666,848</b>	<b>370,251,786</b>	<b>370,251,786</b>

(\*) 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

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TRY 93,866,723 and a carrying value of TRY 80,801,320 as at 31 December 2011 (31 December 2010: Equity shares with a cost amount of TRY 76,578,396 and a carrying amount of TRY 91,785,238).

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2011 and 2010 are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds - TRY	1,490,055,416	1,525,765,157	1,564,384,437	1,564,384,437
Eurobonds issued by the Turkish Government	155,357,000	242,385,282	352,312,083	352,312,083
Investment funds	55,151,200	51,500,165	44,752,552	44,752,552
<b>Total available for sale financial assets - debt instruments</b>	<b>1,700,563,616</b>	<b>1,819,650,604</b>	<b>1,961,449,072</b>	<b>1,961,449,072</b>
<b>Financial investments with risks on saving life policyholders</b>		<b>1,819,650,604</b>	<b>1,961,449,072</b>	<b>1,961,449,072</b>

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds - TRY	1,572,884,563	1,577,561,392	1,722,452,242	1,722,452,242
Eurobonds issued by the Turkish Government	142,071,000	219,268,197	294,100,714	294,100,714
<b>Total available for sale financial assets - debt instruments</b>	<b>1,714,955,563</b>	<b>1,796,829,589</b>	<b>2,016,552,956</b>	<b>2,016,552,956</b>
<b>Financial investments with risks on saving life policyholders</b>		<b>1,796,829,589</b>	<b>2,016,552,956</b>	<b>2,016,552,956</b>

As at 31 December 2011, the financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows (31 December 2010: None):

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	55,151,200	51,500,165	44,752,552	44,752,552
<b>Total</b>	<b>55,151,200</b>	<b>51,500,165</b>	<b>44,752,552</b>	<b>44,752,552</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

The Company has no securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three periods:

	31 December 2011	31 December 2010	31 December 2009
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	774,599	48,584,938	73,065,314
Financial assets held for trading purpose	2,410,277	9,291,713	7,585,847
Loans and receivables	162	52	-
Financial investments with risks on saving life policyholders classified as available for sale	141,798,468	219,723,367	197,145,196
<b>Total</b>	<b>144,983,506</b>	<b>277,600,070</b>	<b>277,796,357</b>

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

The Company has TRY 10,299,782 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 period 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 2011			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,700,563,616	1,819,650,604	1,961,449,072	1,961,449,072
Available for sale financial assets	166,972,223	164,366,682	163,426,966	163,426,966
<b>Total</b>	<b>1,984,017,286</b>	<b>2,124,876,038</b>	<b>2,124,876,038</b>	<b>2,124,876,038</b>

	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
<b>Total</b>	<b>1,941,656,974</b>	<b>2,172,208,579</b>	<b>2,172,208,579</b>	<b>2,172,208,579</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 12 Loans and receivables

The details of the Company's receivables are as follows:

	31 December 2011	31 December 2010
Receivables from insurance operations	7,157,908	7,471,182
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	52,535,573	48,122,482
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	3,030,069,969	2,619,959,840
<b>Total receivables from main operations</b>	<b>3,089,760,876</b>	<b>2,675,550,930</b>
Receivables from personnel	232,068	92,711
Other receivables	7,662,810	6,323,295
<b>Total</b>	<b>3,097,655,754</b>	<b>2,681,966,936</b>

The details of guarantees for the Company's receivables are presented below:

	31 December 2011	31 December 2010
Real estate pledges	1,116,900	1,116,900
Letters of guarantees	1,112,497	838,728
Guarantees and commitments	2,966,437	960,017
<b>Total</b>	<b>5,195,834</b>	<b>2,915,645</b>

	31 December 2011	31 December 2010
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	131,846
Collections	-	(13,850)
Charge for the period	-	-
<b>Provisions for doubtful receivables from main operations and insurance operations at the end of the period</b>	<b>117,996</b>	<b>117,996</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2010: TRY 117,996).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2010: 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 2011	31 December 2010
USD Dollar - buy	1.8889	1.5460
USD Dollar - sale	1.8980	1.5535
Euro - buy	2.4438	2.0491
Euro - sale	2.4556	2.0590
British Pound	2.9170	2.3886
Japanese Yen	0.0243	0.0189
Swiss Frank	2.0062	1.6438

31 December 2011	USD Dollar	Euro	GBP	JPY	CHF	Total (TRY)
Receivables from policyholders	486,131	105,445	7,222	193	-	598,991
Reinsurer receivables	-	41,875	-	-	-	41,875
Rent receivables	4,590	-	-	-	-	4,590
Deposits given	20,778	-	-	-	-	20,778
<b>Total foreign currency assets</b>	<b>511,499</b>	<b>147,320</b>	<b>7,222</b>	<b>193</b>	<b>-</b>	<b>666,234</b>
Reinsurer payables (*)	37,905	-	1,167	1,062	14	40,148
Agency guarantees (**)	167,140	4,346	-	-	-	171,486
<b>Total foreign currency liabilities</b>	<b>205,045</b>	<b>4,346</b>	<b>1,167</b>	<b>1,062</b>	<b>14</b>	<b>211,634</b>

31 December 2010	USD Dollar	Euro	GBP	JPY	CHF	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
<b>Total foreign currency assets</b>	<b>463,945</b>	<b>164,934</b>	<b>3,982</b>	<b>1,251</b>	<b>-</b>	<b>634,112</b>
Reinsurer payables (*)	15,938	-	-	1,789	10	17,737
Agency guarantees (**)	132,482	13,499	-	-	-	145,981
<b>Total foreign currency liabilities</b>	<b>148,420</b>	<b>13,499</b>	<b>-</b>	<b>1,789</b>	<b>10</b>	<b>163,718</b>

(\*) 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

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 13 Derivative financial instruments

As at 31 December 2011, the detailed information about the Company's current derivative financial instruments is presented in 11 - *Financial assets*. At the reporting period, derivative financial instruments of the Company consist of TurkDEX-ISE 30 Index future contracts with the maturity of 29 February 2012.

#### 14 Cash and cash equivalents

As at 31 December 2011 and 2010, cash and cash equivalents are as follows:

	31 December 2011		31 December 2010	
	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	12,206	17,198	17,198	9,012
Bank deposits	52,803,532	76,694,447	76,694,447	78,744,899
Other cash and cash equivalents (*)	67,036,981	52,404,769	52,404,769	42,834,036
Cheques given and payment orders	(63,794)	(47,274)	(47,274)	(44,109)
<b>Cash and cash equivalents in the balance sheet</b>	<b>119,788,925</b>	<b>129,069,140</b>	<b>129,069,140</b>	<b>121,543,838</b>
Interest accruals on bank deposits	(323,655)	(517,604)	(517,604)	(356,654)
Time deposits with maturities longer than 3 months	-	-	-	(4,001,056)
<b>Cash and cash equivalents presented in the statement of cash flow</b>	<b>119,465,270</b>	<b>128,551,536</b>	<b>128,551,536</b>	<b>117,186,128</b>

(\*) Other cash and cash equivalents include credit card receivables from banks in relation to premium payments of policyholders.

As at 31 December 2011 and 2010, bank deposits are further analyzed as follows:

	31 December 2011	31 December 2010
Foreign currency denominated bank deposits		
- time deposits	-	1,544,600
- demand deposits	523,616	722,722
Bank deposits in Turkish Lira		
- time deposits	48,161,167	71,231,364
- demand deposits	4,118,749	3,195,761
<b>Cash at banks</b>	<b>52,803,532</b>	<b>76,694,447</b>

As at 31 December 2011, TRY time deposits have a maximum maturity of 2 months and their simple interest rates vary between 7.00% and 12.25% simple interest rate. The Company has no foreign currency denominated bank deposits.

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.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 15 Equity

##### Paid in Capital

As at 31 December 2011, the authorized nominal share capital of the Company is TRY 300,000,000 and the share capital of the Company consists of 30,000,000,000 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 29,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Incorporation, 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 at 31 December 2011, the Company's registered capital is TRY 450,000,000.

As at 31 December 2011, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

##### Profit on Assets Sale That will be Transferred to Capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. Tax exempt gain from participation shares and real estate sale in 2010 amounting to TRY 40,605 is reclassified as profit on assets sale that will be transferred to capital and is used in capital increase as at 31 December 2011.

##### 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 2011	31 December 2010
<b>Legal reserves at the beginning of the year</b>	<b>53,156,391</b>	<b>45,102,324</b>
Transfer from profit	6,483,692	8,054,067
<b>Legal reserves at the end of the year</b>	<b>59,640,083</b>	<b>53,156,391</b>

##### Extraordinary reserves

The movement of extraordinary reserves is presented below:

	31 December 2011	31 December 2010
<b>Extraordinary reserves at the beginning of the year</b>	<b>13,367,976</b>	<b>4,821,283</b>
Transfer from profit	17,851,800	8,546,693
Capital increase	(30,000,000)	-
<b>Extraordinary reserves at the end of the year</b>	<b>1,219,776</b>	<b>13,367,976</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Statutory reserves

The movement of statutory reserves is presented below:

	31 December 2011	31 December 2010
<b>Statutory reserves at the beginning of the year</b>	<b>23,652,466</b>	<b>17,783,838</b>
Transfer from profit	5,362,677	5,868,628
Capital increase	(19,919,900)	-
<b>Statutory reserves at the end of the year</b>	<b>9,095,243</b>	<b>23,652,466</b>

#### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	31 December 2011	31 December 2010
<b>Fair value reserves at the beginning of the year</b>	<b>33,893,427</b>	<b>27,721,772</b>
<i>Changes during the year:</i>		
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	486,463	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	(110,113,410)	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	104,607,740	(74,292,701)
Change in unrealized gains and losses from available for sale financial assets, company's own portfolio	(23,623,912)	12,082,109
Deferred and corporate tax effect	3,660,330	(1,811,858)
<i>Disposals during the year:</i>		
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	(3,892,649)	(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	3,698,017	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	(1,249,643)	(7,096,851)
Deferred and corporate tax effect	288,855	1,774,464
<i>Amounts transferred to income statement due to bonus shares:</i>	(17,356,612)	(920,611)
<b>Fair value reserves at the end of the year</b>	<b>(9,601,394)</b>	<b>33,893,427</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 16 Other reserves and equity component of discretionary participation

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	31 December 2011	31 December 2010
Temporary differences arising from revaluation of financial assets	(12,001,742)	16,399,833
Permanent differences arising from revaluation of financial assets	-	20,773,561
Deferred tax effect	2,400,348	(3,279,967)
<b>Total</b>	<b>(9,601,394)</b>	<b>33,893,427</b>

#### 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 2011		31 December 2010	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
<i>Life:</i>				
Financial assets (*)	1,966,664,506	2,099,689,594	1,865,970,949	2,129,944,090
<b>Total</b>	<b>1,966,664,506</b>	<b>2,099,689,594</b>	<b>1,865,970,949</b>	<b>2,129,944,090</b>
<i>Non-life:</i>				
Financial assets (*)	469,063	1,525,086	4,389,328	1,376,203
<b>Total</b>	<b>469,063</b>	<b>1,525,086</b>	<b>4,389,328</b>	<b>1,376,203</b>
<b>Total</b>	<b>1,967,133,569</b>	<b>2,101,214,680</b>	<b>1,870,360,277</b>	<b>2,131,320,293</b>

(\*) As at 31 December 2011 and 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 2011 (31 December 2010), minimum guarantee amount of 30 June 2011 is shown as necessary guarantee amount; since, minimum guarantee amount as at 31 December 2011 (31 December 2010) is based on 30 June calculations.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011, TRY 1,730,347,190 of government bonds (31 December 2010: TRY 1,882,698,843) and TRY 326,114,938 of Eurobonds (31 December 2010: TRY 248,621,450) and TRY 44,752,552 (31 December 2010: None) of investment funds are placed as guarantee for the life and non-life branches.

#### 17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	31 December 2011 (*)		31 December 2010 (*)	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,179,924	385,048,204	968,657	530,506,521
Disposals during the period	(944,360)	(336,893,828)	(902,534)	(394,582,482)
Outstanding	<b>1,321,869</b>	<b>2,025,413,559</b>	<b>1,086,305</b>	<b>1,977,259,183</b>

(\*) The above table includes 83 of reactivated life insurance policies (31 December 2010: 1,234) and their corresponding mathematical reserves.

As explained in Note 2 - *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 7,125,182 (31 December 2010: TRY 112,598,382) is recognized under the life mathematical provisions. As at the reporting date, there is no future withholding tax levied to income obtained from financial investments which are classified under the Company's assets recognized under the life mathematical provisions (31 December 2010: TRY 4,197,567). These balances are not included in the above table.

TRY 5,255,492 (31 December 2010: 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 2011	31 December 2010
Guarantees given to death by accident	1,227,901,834	798,234,913
Guarantees given to disability by accident	1,226,711,834	798,134,913
<b>Total</b>	<b>2,454,613,668</b>	<b>1,596,369,826</b>

## Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

### 17.4 Pension investment funds established by the Company and their unit prices:

As at 31 December 2011 and 2010, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2011 Unit price	31 December 2010 Unit price
AH1 Bond Fund	0.037933	0.036770
AH2 Liquid Fund	0.026995	0.025547
AH3 Eurobond Dollar Fund	0.023960	0.019936
AH4 Eurobond Euro Fund	0.021590	0.018774
AH5 Equity Fund	0.048259	0.067288
AH6 International Mixed Fund	0.018946	0.017282
AH8 Conservative Fund	0.031183	0.029709
AH9 Balanced Fund	0.036654	0.041024
AH0 Aggressive Fund	0.048337	0.063049
AGE Alternative Gain Fund	0.009862	0.010218
ABE BRIC Plus Fund	0.009917	0.011216
AHL Dynamic Flexible Fund (*)	0.009857	-
AHC Mixed Fund (TRY) (*)	0.010167	-
AG1 Group Bond Fund	0.033976	0.032347
AG2 Group Eurobond Fund	0.018034	0.015145
AG3 Group Equity Fund	0.030131	0.041046
AG4 Group Flexible Fund	0.029244	0.027440
HS1 Bond - Bill Fund	0.023566	0.022963
AHB White Equity Fund	0.018158	0.022594
ATK Orange Bond - Bill Fund	0.017953	0.017408
ATE Orange Balanced Fund	0.016725	0.017862

(\*) AHL Dynamic Flexible Fund and AHC Mixes Fund (TRY) have been registered in Capital Markets Board as of 15 November 2011 but initial public offering has not been executed yet.

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### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 2011 and 2010:

	31 December 2011		31 December 2010	
	Participation Certificates in Circulation		Participation Certificates in Circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	29,778,886,837.42	1,129,602,514.40	27,679,333,589.65	1,017,769,096.09
AH2 Liquid Fund	3,369,680,287.92	90,964,519.37	2,579,462,040.52	65,897,516.75
AH3 Eurobond Dollar Fund	3,721,243,863.36	89,161,002.97	2,733,222,113.08	54,489,516.04
AH4 Eurobond Euro Fund	3,276,092,065.55	70,730,827.70	2,549,902,606.69	47,871,871.54
AH5 Equity Fund	2,414,766,751.93	116,534,228.68	1,775,358,800.49	119,460,342.97
AH6 International Mixed Fund	610,260,139.55	11,561,988.60	332,624,247.10	5,748,412.24
AH8 Conservative Fund	2,629,563,148.86	81,997,667.67	2,305,239,236.06	68,486,352.46
AH9 Balanced Fund	17,731,117,922.47	649,916,396.33	14,728,475,608.56	604,220,983.37
AH0 Aggressive Fund	6,779,621,857.29	327,706,581.72	4,694,946,079.01	296,011,655.33
AGE Alternative Gain Fund	1,741,826,776.49	17,177,895.67	40,036,050.76	409,088.37
ABE BRIC Plus Fund	2,641,331,429.27	26,194,083.78	213,456,947.81	2,394,133.12
AHL Dynamic Flexible Fund (*)	100,000,000.00	985,700.00	-	-
AHC Mixed Fund (TRY) (*)	100,000,000.00	1,016,700.00	-	-
AG1 Group Bond Fund	2,458,454,112.41	83,528,436.92	1,814,736,792.47	58,701,291.03
AG2 Group Eurobond Fund	265,177,490.77	4,782,210.87	185,168,965.97	2,804,383.99
AG3 Group Equity Fund	577,287,261.24	17,394,242.47	293,424,718.17	12,043,910.98
AG4 Group Flexible Fund	1,661,573,450.51	48,591,053.99	1,480,179,773.42	40,616,132.98
HS1 Bond - Bill Fund	8,941,704,710.90	210,720,213.22	7,663,308,793.44	175,972,559.82
AHB White Equity Fund	1,271,259,195.45	23,083,524.47	705,396,557.95	15,937,729.83
ATK Orange Bond - Bill Fund	1,015,253,343.56	18,226,843.28	1,107,668,639.86	19,282,295.68
ATE Orange Balanced Fund	609,467,063.59	10,193,336.64	663,003,411.70	11,842,566.94
<b>Total</b>		<b>3,030,069,968.75</b>		<b>2,619,959,839.53</b>

(\*) AHL Dynamic Flexible Fund and AHC Mixes Fund (TRY) have been registered in Capital Markets Board as of 15 November 2011 but initial public offering has not been executed yet.

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## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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

	1 January - 31 December 2011			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	121,926	58,099	496,524	2,366,160,479
Group	34,518	13,389	144,165	661,889,512
<b>Total</b>	<b>156,444</b>	<b>71,488</b>	<b>640,689</b>	<b>3,028,049,991</b>

	1 January - 31 December 2010			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	105,827	53,244	432,697	2,085,111,887
Group	39,269	12,357	123,036	529,424,802
<b>Total</b>	<b>145,096</b>	<b>65,601</b>	<b>555,733</b>	<b>2,614,536,689</b>

**Additions:** The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period. For the data calculated for 31 December 2011, 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 period and their values at their expiration dates.

**Outstanding:** The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-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:

	1 January - 31 December 2011			1 January - 31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	121,926	230,846,436	226,035,513	105,827	145,825,993	142,101,892
Group	34,518	47,544,588	47,179,656	39,269	22,704,198	22,264,037
<b>Total</b>	<b>156,444</b>	<b>278,391,024</b>	<b>273,215,169</b>	<b>145,096</b>	<b>168,530,191</b>	<b>164,365,929</b>

Contracts become effective in the current period and the total contracts become effective and ceased in the same period 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 period numbers and balances.

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### 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 period:

	31 December 2011			31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	4,033	41,296,381	41,296,381	4,202	43,975,369	43,975,369
Group	1,091	19,915,297	19,915,297	410	4,820,335	4,820,335
<b>Total</b>	<b>5,124</b>	<b>61,211,678</b>	<b>61,211,678</b>	<b>4,612</b>	<b>48,795,704</b>	<b>48,795,704</b>

### 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 period:

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 period.

### 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:

	1 January - 31 December 2011			1 January - 31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	58,099	274,093,655	230,475,599	53,244	232,889,288	192,734,041
Group	13,389	52,180,674	43,765,841	12,357	38,483,285	32,042,219
<b>Total</b>	<b>71,488</b>	<b>326,274,329</b>	<b>274,241,440</b>	<b>65,601</b>	<b>271,372,573</b>	<b>224,776,260</b>

Number of contracts indicates the number of disposals in the related period.

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 period:

	31 December 2011		31 December 2010	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	24,101	123,654,547	289,558	173,236,443
Group	1,155,740	84,620,333	677,865	27,700,095
<b>Total (*)</b>	<b>1,179,841</b>	<b>208,274,880</b>	<b>967,423</b>	<b>200,936,538</b>

(\*) 83 of reactivated contracts are not included in the current year additions (31 December 2010: 1,234).

### 17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	1 January - 31 December 2011		1 January - 31 December 2010	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	223,603	323,010,198	286,536	389,967,470
Group	720,757	13,883,630	615,998	4,615,012
<b>Total</b>	<b>944,360</b>	<b>336,893,828</b>	<b>902,534</b>	<b>394,582,482</b>

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## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 17.14 Profit share distribution rate of life insurances as of 31 December 2011 and 2010

	31 December 2011 %	31 December 2010 %
<b>TRY</b>		
Life insurance	8.83	11.35
Income insurance	8.82	11.32
<b>USD</b>		
Life insurance	7.57	8.37
Income insurance	7.57	8.37
<b>EURO</b>		
Life insurance	6.29	6.28
Income insurance	6.29	6.27
<b>GBP</b>		
Life insurance	9.73	9.56
Income insurance	9.73	9.50

#### 17.15 Information on insurance contract balances in the financial statements

	31 December 2011	31 December 2010
Reserve for unearned premiums, gross	15,390,486	9,372,409
Reserve for unearned premiums, ceded (Note 10)	(1,557,276)	(1,290,764)
<b>Reserves for unearned premiums, net</b>	<b>13,833,210</b>	<b>8,081,645</b>
Provision for outstanding claims, gross	50,605,404	55,733,381
Provision for outstanding claims, ceded (Note 10)	(990,491)	(589,625)
<b>Provision for outstanding claims, net</b>	<b>49,614,913</b>	<b>55,143,756</b>
Life mathematical provisions, gross <sup>(*)</sup>	2,032,538,741	2,094,055,132
Life mathematical provisions, ceded (Note 10)	(5,255,492)	(3,294,984)
<b>Life mathematical provisions, net</b>	<b>2,027,283,249</b>	<b>2,090,760,148</b>
<b>Equalization provision, net</b>	<b>2,194,716</b>	<b>1,220,317</b>
<b>Total insurance technical provisions, net</b>	<b>2,092,926,088</b>	<b>2,155,205,866</b>

(\*) As at 31 December 2011, life mathematical provisions amounting to TRY 1,864,137,235 (31 December 2010: TRY 1,934,860,059 is medium and long term and TRY 168,401,506 (31 December 2010: TRY 159,195,073) is short term.

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## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
New policies issued	93,593,703	127,077,520
Activated from reductions	1,051,335	2,771,535
Activated from cancellations	1,871,457	34,796,742
Contracts with increased capital	235,135,493	242,363,983
<b>Total increase in the portfolio</b>	<b>331,651,988</b>	<b>407,009,780</b>

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
Terminations and cancellations (-)	(1,828,073)	(4,425,368)
Transformed to contracts without charge (-)	21,582,223	(24,936,311)
Purchases (-)	(183,800,930)	(137,498,820)
Ceased with risk formed (-)	(2,828,038)	(2,374,426)
Expirations (-)	(134,553,157)	(150,393,520)
<b>Total decrease in the portfolio</b>	<b>(301,427,975)</b>	<b>(319,628,445)</b>

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January - 31 December 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
New contracts	23,371,802	10,013,755
Activated from reductions	20	4,650
Activated from cancellations	279,866	656,518
Insurances had capital increase	1,684,592	984,296
<b>Total increase in the portfolio</b>	<b>25,336,280</b>	<b>11,659,219</b>

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the 1 January - 31 December 2011 and 1 January - 31 December 2010 periods:

Mathematical provisions	31 December 2011	31 December 2010
Terminations and cancellations (-)	(256)	(6,727)
Transformed to contracts without charge (-)	319,637	(910,483)
Insurances had capital decrease (-)	(6,130,326)	-
Purchases (-)	(3,555,817)	(3,291,855)
Ceased with risk formed (-)	(91,305)	(29,470)
Expirations (-)	(4,105,926)	(1,286,960)
<b>Total decrease in the portfolio</b>	<b>(13,563,993)</b>	<b>(5,525,495)</b>

#### 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*.

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## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

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#### 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	2006	2007	2008	2009	2010	2011	Total
Claim year	9,843,781	7,656,449	7,662,547	6,212,268	10,872,103	8,530,466	50,777,614
1 year later	1,141,871	1,821,855	3,634,320	4,123,753	4,638,889	-	15,360,688
2 years later	237,776	274,031	273,370	286,233	-	-	1,071,410
3 years later	80,598	59,645	14,037	-	-	-	154,280
4 years later	31,458	25,409	-	-	-	-	56,867
5 years later	-	-	-	-	-	-	-
6 years later	-	-	-	-	-	-	-
<b>Cumulative payments up to date</b>	<b>11,335,484</b>	<b>9,837,389</b>	<b>11,584,274</b>	<b>10,622,254</b>	<b>15,510,992</b>	<b>8,530,466</b>	<b>67,420,859</b>
<b>Payments for the year ended 31 December 2011 (*)</b>	<b>-</b>	<b>25,409</b>	<b>14,037</b>	<b>286,233</b>	<b>4,638,889</b>	<b>8,530,466</b>	<b>13,495,034</b>

(\*) 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*.

#### 18 Investment contracts

None.

#### 19 Trade and other payables and deferred income

	31 December 2011	31 December 2010
Payables from insurance operations	4,477,923	2,751,562
Cash deposited by insurance and reinsurance companies	686,569	543,884
Payables from pension activities	3,093,269,662	2,670,878,516
<b>Total payables from main operations</b>	<b>3,098,434,154</b>	<b>2,674,173,962</b>
Due to shareholders	903	2,674
Payables to other related parties	1,990	1,411
<b>Total payables to related parties</b>	<b>2,893</b>	<b>4,085</b>
Guarantees and deposits received	213,442	201,082
Other payables	7,347,047	5,821,671
<b>Total other payables</b>	<b>7,560,489</b>	<b>6,022,753</b>
Deferred income	1,511,850	1,160,520
Expense accruals	63,056	172,274
<b>Total deferred income and expense accruals</b>	<b>1,574,906</b>	<b>1,332,794</b>
<b>Total</b>	<b>3,107,572,442</b>	<b>2,681,533,594</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

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#### 20 Financial liabilities

The Company has no financial liabilities as at the reporting date (31 December 2010: None).

#### 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 2011	31 December 2010
Difference in valuation of financial assets	(7,693,194)	15,767,522
Provision for employee termination benefits	(4,828,646)	(3,566,916)
Impairment loss on financial assets	(3,290,693)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(3,034,297)	(3,171,528)
Equalization reserves	(2,194,716)	(1,220,317)
Provision for unused vacation pay liability	(1,663,719)	(735,708)
<b>Total</b>	<b>(22,705,265)</b>	<b>7,073,053</b>

Deferred tax (assets)/liabilities:	31 December 2011	31 December 2010
Difference in valuation of financial assets	(1,538,639)	3,153,504
Provision for employee termination benefits	(965,729)	(713,383)
Impairment loss on financial assets	(658,139)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(606,859)	(634,306)
Equalization reserves	(438,943)	(244,063)
Provision for unused vacation pay liability	(332,744)	(147,142)
<b>Total</b>	<b>(4,541,053)</b>	<b>1,414,610</b>

Movement of deferred tax assets/liabilities as at 31 December 2011 and 2010 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2011	31 December 2010
Opening balance at 1 January	1,414,610	(900,361)
Recognised in profit or loss	(275,348)	1,946,014
Recognised in equity	(5,680,315)	368,957
<b>Closing balance at 31 December</b>	<b>(4,541,053)</b>	<b>1,414,610</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 2,731.85 as at 31 December 2011 (31 December 2010: TRY 2,517.01).

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 2011, 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 reporting periods have been calculated assuming an annual inflation rate of 5.0% and a discount rate of 9.20% - 11.55%, resulting in a real discount rate of between 2.58% - 4.50% (31 December 2010: 5.1%, 10% and 4.66%, 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 period is presented below:

	31 December 2011	31 December 2010
Provision as at 1 January	3,566,916	3,387,351
Interest cost	356,692	157,925
Service cost	365,223	1,000,173
Payments made during the year	(854,557)	(1,021,004)
Actuarial gain and losses	1,394,372	42,471
<b>Provision as at 31 December</b>	<b>4,828,646</b>	<b>3,566,916</b>

#### 23 Other liabilities and provisions

As at 31 December 2011 and 2010; the details of the provisions for other risks are as follows:

	31 December 2011	31 December 2010
Provision for unused vacation pay liability	1,663,719	735,708
Provision for commissions to sales personnel	525,000	415,000
Provision for litigations	93,070	-
Provision for commissions and expenses	56,974	-
<b>Provisions for costs</b>	<b>2,338,763</b>	<b>1,150,708</b>
<b>Provision for employee termination benefits</b>	<b>4,828,646</b>	<b>3,566,916</b>
<b>Total provisions for other risks</b>	<b>7,167,409</b>	<b>4,717,624</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 24 Net insurance premium revenue

	31 December 2011	31 December 2010
Non-life	642,333	164,340
Life	337,208,124	350,122,861
<b>Total</b>	<b>337,850,457</b>	<b>350,287,201</b>

#### 25 Fee revenues

The details of fee revenues for the year ended 31 December 2011 and 2010 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	31 December 2011	31 December 2010
Fund management income	70,109,006	55,617,732
Administrative cost deductions	29,083,449	23,501,810
Entrance fee	14,256,976	15,711,175
Administrative cost deductions in the form of cessation	278,560	231,133
Other technical income	104,871	94,256
Increase in value of capital allowances given	16,700	324
<b>Total</b>	<b>113,849,562</b>	<b>95,156,430</b>

#### 26 Investment income

	31 December 2011	31 December 2010
<i>Financial assets held-for-trading:</i>		
Interest income	621,693	984,620
Dividend income	88,809	258,282
Gain on sale	1,088,699	6,053,267
Valuation gain	(7,819,717)	3,644,347
<i>Financial assets available- for-sale:</i>		
Interest income	110,936,211	115,709,134
Dividend income	2,245,738	2,141,039
Gain on sale	6,088,002	21,908,475
Valuation gain (internal rate of return gain)	131,629,420	92,919,012
<i>Income from associates:</i>	3,627,387	809,335
<i>Investment properties:</i>		
Rent income	2,590,872	2,335,332
<i>Other income: (*)</i>	29,557,315	18,763,342
<b>Total (**)</b>	<b>280,654,429 (**)</b>	<b>265,526,185 (**)</b>

(\*) Other income includes income from bonus shares through capital increases in associates from profit or capital reserves, interest income from time deposits, income from derivative transactions, foreign exchange gains and insurers' money not requested from the Company.

(\*\*) TRY 57,222,042 (31 December 2010: TRY 70,034,497) of investment income obtained from the Company's own portfolio and TRY 223,432,387 (31 December 2010: TRY 195,491,688) of investment income obtained from policyholders' portfolio.

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	31 December 2011	31 December 2010
<i>Available-for-sale financial assets:</i>		
Fair value differences recognized in equity	(12,376,752)	31,247,163
Fair value differences recognized in profit/loss	11,205,542	12,427,034
<b>Total</b>	<b>(1,171,210)</b>	<b>43,674,197</b>

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

Net loss from assets held at fair value through profit or loss recognized in income statement as at 31 December 2011 is TRY 6,005,171 (31 December 2010: 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 - *Operating expenses* below.

#### 32 Operating expenses

For the year ended 31 December 2011 and 2010, the details of operating expenses are as follows:

	31 December 2011	31 December 2010
Production commission expenses	(62,277,817)	(44,155,317)
Employee benefit expenses	(49,529,640)	(43,833,904)
Administration expenses	(16,293,371)	(14,023,175)
Marketing and sales expenses	(15,251,450)	(11,697,482)
Rent expenses	(5,561,687)	(4,872,001)
Bank fees	(2,105,327)	(2,156,267)
Outsourced benefits and services	(2,168,935)	(1,285,933)
Reinsurance commission income	1,580,145	1,059,758
Other expenses	(1,664,911)	(2,735,841)
<b>Total</b>	<b>(153,272,993)</b>	<b>(123,700,162)</b>

#### 33 Employee benefit expenses

	31 December 2011	31 December 2010
Wages and salaries	49,529,640	43,833,904
Employee termination benefits	1,261,730	179,565
Provision for unused vacation	928,011	161,952
<b>Total</b>	<b>51,719,381</b>	<b>44,175,421</b>

#### 34 Financial costs

The Company's has no finance expense in the current period (31 December 2010: TRY 150).

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 35 Income tax expense

	31 December 2011	31 December 2010
<i>Corporate tax liabilities:</i>		
Corporate tax provision	13,415,000	15,435,000
Less: Corporation taxes paid in advances during the period	(10,887,846)	(15,139,000)
<b>Total</b>	<b>2,527,154</b>	<b>296,000</b>

*Total tax expense recognized in profit or loss*

	31 December 2011	31 December 2010
Current tax expense	13,415,000	15,435,000
Deferred tax expense/(income)	(275,348)	1,946,014
<b>Total</b>	<b>13,139,652</b>	<b>17,381,014</b>

*Total tax expense recognized in equity*

	31 December 2011	31 December 2010
Change in fair value of available for sale financial assets	(2,400,348)	3,279,967
<b>Total deferred tax expense recognized in equity</b>	<b>(2,400,348)</b>	<b>3,279,967</b>

*Reconciliation of the Company's taxation for the year ended 31 December 2011 and 2010 are as follows:*

	31 December 2011		31 December 2010	
		Tax rate (%)		Tax rate (%)
<b>Profit before tax</b>	<b>77,809,162</b>		<b>86,832,334</b>	
Taxes on income per statutory tax rate	(15,561,832)	(20.00)	(17,366,467)	(20.00)
Disallowable expenses	(124,499)	(0.16)	(702,940)	(0.81)
Effect of allowances	2,546,679	3.27	688,393	0.79
<b>Total tax expense recognized in profit or loss</b>	<b>(13,139,652)</b>	<b>(16.89)</b>	<b>(17,381,014)</b>	<b>(20.02)</b>

#### 36 Net foreign exchange gains

	31 December 2011	31 December 2010
Foreign exchange gains	3,327,777	994,669
Foreign exchange losses	(646,502)	(856,035)
<b>Total</b>	<b>2,681,275</b>	<b>138,634</b>

#### 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 2011	31 December 2010
<i>For a share having TRKr (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares (*)	30,000,000,000	30,000,000,000
Net profit for the period	64,669,510	71,397,334
Earnings per share (for 100 shares)	0.21557	0.23799

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

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 38 Dividends per share

The Company's dividend distribution in 2011 from the profit of 2010 is presented below.

	Group	Total Cash Dividend Amount (TRY)	Cash dividend corresponding to a share having TRY 1 of nominal value	
			Amount (TRY)	Rate (%)
	A	160,000	0.160000	16.0000
	B	39,840,000	0.160000	16.0000
<b>Gross</b>	<b>Total</b>	40,000,000		
	A	136,000	0.136000	13.6000
	B	33,864,000	0.136000	13.6000
<b>Net</b>	<b>Total</b>	34,000,000		

The Company's dividend distribution in 2011 from the profit of 2010 is TRY 40,000,000. Other than that, a dividend of TRY 1,658,560 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 financial statements.

As at 31 December 2011, there are 104 ongoing law suit filed against the Company and total amount of these suits are TRY 1,890,146 TRY 3,233,569 (31 December 2010: 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 46 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 1,203,708. Subsequent to the reporting period, 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 2011	31 December 2010
Guarantees and commitments	1,035,151	469,281
Capital commitments (*)	2,848,175	-
<b>Guarantees and commitments</b>	<b>3,883,326</b>	<b>469,281</b>

(\*) Provided for Bayek Tedavi Hizmetleri ve İşletmeciliği AŞ.

The Company does not have finance lease liabilities as at the reporting period (31 December 2010: None).

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(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 AŞ 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 period presented in the recent financial statements of such participations; net profit/loss for the period and period 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 (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	8,762,193	20	31 December 2011	11,748,424	9,393,386	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 3,000,000.

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

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

g. Related party disclosures

The related party balances as at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Türkiye İş Bankası AŞ - receivables from credit card collections	60,398,105	46,766,891
<b>Other cash and cash equivalents</b>	<b>60,398,105</b>	<b>46,766,891</b>
Türkiye İş Bankası AŞ - bank deposits	34,060,110	62,673,024
<b>Cash at banks</b>	<b>34,060,110</b>	<b>62,673,024</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	118,775	7,891
<b>Receivables from main operations</b>	<b>118,775</b>	<b>7,891</b>
Türkiye İş Bankası AŞ - commission payables	2,695,702	1,739,234
Milli Reasürans TAŞ - premium payables	309,789	76,979
<b>Payable from main operations</b>	<b>3,005,491</b>	<b>1,816,213</b>
Anadolu Anonim Türk Sigorta Şirketi - premium payables	903	2,674
<b>Payables to shareholders</b>	<b>903</b>	<b>2,674</b>
İş Portföy Yönetimi AŞ	2,656,361	933,993
İş Merkezleri Yönetim ve İşletim AŞ	79,073	64,112
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim AŞ	58,058	41,483
Bayek Tedavi Hizmetleri ve İşletmeciliği A.Ş.	5,309	-
İş Koray Turizm Ormanlık Madencilik İnşaat Taahhüt ve Ticaret AŞ	572	376
<b>Other payables</b>	<b>2,799,373</b>	<b>1,039,964</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

For the year ended 31 December 2011, the Company obtained employer contribution for individual pension plans amounting to TRY 6,351,804 (31 December 2010: TRY 4,708,665) and accrued employer premium for life insurance amounting to TRY 164,810 (31 December 2010: TRY 259,505) from related parties. Other transactions with related parties during the year ended 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Milli Reasürans TAŞ - premiums written, ceded	965,332	664,308
<b>Premiums written, ceded</b>	<b>965,332</b>	<b>664,308</b>
Milli Reasürans TAŞ - commission income from reinsurers	248,363	116,776
<b>Commission income from reinsurers</b>	<b>248,363</b>	<b>116,776</b>
Türkiye İş Bankası AŞ - interest income from deposits	850,132	2,160,580
<b>Investment income</b>	<b>850,132</b>	<b>2,160,580</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	166,740	157,500
İş Portföy Yönetimi AŞ - portfolio management fee	51,453	144,150
İş Yatırım AŞ - portfolio management fee	47,243	90,573
İş Portföy Yönetimi AŞ - secondary market operations of marketable securities	32,633	88,737
İş Yatırım - secondary market operations of marketable securities	26,595	56,344
<b>Investment expense</b>	<b>324,664</b>	<b>537,304</b>
Türkiye İş Bankası AŞ - commission of policy production	26,692,588	15,964,133
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	9,875,077	9,634,293
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	3,085,452	2,716,049
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	2,681,694	2,507,846
Anadolu Anonim Türk Sigorta Şirketi - premium paid	1,125,723	908,839
Türkiye İş Bankası AŞ - commission of premium collection and banking services	866,563	1,126,192
Türkiye İş Bankası AŞ - rent expense	256,362	233,892
Anadolu Anonim Türk Sigorta Şirketi - rent expense	147,446	141,099
<b>Other expenses</b>	<b>44,730,905</b>	<b>33,232,343</b>

# Anadolu Hayat Emeklilik

## Notes to the Unconsolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 – *events after the reporting period*.

#### 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:

<b>Current Assets (Cash and Cash Equivalent Assets)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Credit card receivables	67,036,981	52,404,769
<b>Total</b>	<b>67,036,981</b>	<b>52,404,769</b>

<b>Current Assets (Other Receivables)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Securities reconciliation account	6,940,044	5,693,029
Other	684,803	591,634
<b>Total</b>	<b>7,624,847</b>	<b>6,284,663</b>

<b>Short-term Liabilities (Other Miscellaneous Payables)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Suspense accounts	1,062,271	1,439,471
Securities reconciliation account	3,609,055	2,163,535
Payable to suppliers	2,290,582	1,833,526
Dividends to be paid	859	859
Other	384,280	384,280
<b>Total</b>	<b>7,347,047</b>	<b>5,821,671</b>

## Notes to the Unconsolidated Financial Statements As at 31 December 2011

(Currency: Turkish Lira (TRY))

**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.

**For the year ended 31 December 2011 and 2010, details of discount and provision expenses are as follows:**

	31 December 2011	31 December 2010
Provision for impairment loss on financial assets	(3,290,693)	-
Provision for employee termination benefits	(1,261,730)	(179,565)
Unused vacation pay liability	(928,011)	(161,952)
Other provision expenses	(166,074)	40,800
Provisions no longer required	-	487,406
Provision expense for receivables from main operations	-	13,850
<b>Provision expense</b>	<b>(5,646,508)</b>	<b>200,539</b>

## 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 2011	31 December 2010	31 December 2009
Required Capital for Non-Life Branches	186.997	178,239	28,753
Required Capital for Life Branches	106.373.431	100,852,982	96,160,222
Required Capital for Pension Branch	9.450.175	8,424,900	6,757,190
<b>TOTAL REQUIRED CAPITAL</b>	<b>116.010.603</b>	<b>109,456,121</b>	<b>102,946,165</b>
<b>CAPITAL</b>	<b>430.162.083</b>	<b>450,645,954</b>	<b>429,892,005</b>
<b>LIMIT GAP</b>	<b>314.151.480</b>	<b>341,189,833</b>	<b>326,945,840</b>

### AN ASSESSMENT OF THE OPERATIONS OF THE COMPANY'S SEGMENTS

Anadolu Hayat Emeklilik closed 2011 posting a technical profit of TRY 34 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 2011	Life	Private Pension	Personal Accident	Total
<b>Continuing operations:</b>				
Technical income	563,171,487	113,849,562	324,579	677,345,628
Technical expense	(528,724,711)	(113,844,799)	(331,636)	(642,901,146)
Total of other income and expense	21,814,838	21,689,094	136,096	43,640,028
<b>Income before tax</b>	56,261,614	21,693,857	129,039	78,084,510
Income tax expense				(13,415,000)
<b>Net profit for the year</b>	56,261,614	21,693,857	129,039	64,669,510

31 December 2011	Life	Private Pension	Personal Accident	Total
Segment assets	2,303,523,363	3,329,842,463	14,368,547	5,647,734,373
<b>Total assets</b>	<b>2,303,523,363</b>	<b>3,329,842,463</b>	<b>14,368,547</b>	<b>5,647,734,373</b>
Segment liabilities	(2,311,736,173)	(3,321,563,897)	(14,434,303)	(5,647,734,373)
<b>Total liabilities</b>	<b>(2,311,736,173)</b>	<b>(3,321,563,897)</b>	<b>(14,434,303)</b>	<b>(5,647,734,373)</b>
<b>Other segment information</b>				
Depreciation and amortization	(1,699,962)	(1,690,163)	(10,606)	<b>(3,400,731)</b>

# Information on Financial Structure

## 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.

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.

<b>Financial Assets</b>	<b>Cost Value</b>	<b>Fair Value</b>	<b>Book Value</b>
Held-to-Maturity Assets	50,833,633	53,243,910	53,243,910
Loans (receivables from reverse repo transactions)	299,590	299,752	299,752
Available-for-Sale Assets	368,711,716	369,486,315	369,486,315
<b>TOTAL</b>	<b>419,844,939</b>	<b>423,029,977</b>	<b>423,029,977</b>
	<b>Cost Value</b>	<b>Fair Value</b>	<b>Book Value</b>
<b>Financial Assets and Investments with Risks on Policy Holders</b>	1,819,650,604	1,961,449,072	1,961,449,072
<b>TOTAL</b>	<b>1,819,650,604</b>	<b>1,961,449,072</b>	<b>1,961,449,072</b>

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.

<b>Private Pension Funds</b>	<b>Number</b>	<b>Amount</b>
AH1 Bond Fund	29,778,886,837.42	1,129,602,514.40
AH2 Liquid Fund	3,369,680,287.92	90,964,519.37
AH3 Eurobond Dollar Fund	3,721,243,863.36	89,161,002.97
AH4 Eurobond Euro Fund	3,276,092,065.55	70,730,827.70
AH5 Equity Fund	2,414,766,751.93	116,534,228.68
AH6 International Mixed Fund	610,260,139.55	11,561,988.60
AH8 Conservative Fund	2,629,563,148.86	81,997,667.67
AH9 Balanced Fund	17,731,117,922.47	649,916,396.33
AH0 Aggressive Fund	6,779,621,857.29	327,706,581.72
AGE Alternative Gain Fund	1,741,826,776.49	17,177,895.67
ABE BRIC Plus Fund	2,641,331,429.27	26,194,083.78
AHL Dynamic Flexible Fund (*)	100,000,000.00	985,700
AHC Mixed Fund (TRY) (*)	100,000,000.00	1,016,700.00
AG1 Group Bond Fund	2,458,454,112.41	83,528,436.92
AG2 Group Eurobond Fund	265,177,490.77	4,782,210.87
AG3 Group Equity Fund	577,287,261.24	17,394,242.47
AG4 Group Flexible Fund	1,661,573,450.51	48,591,053.99
HS1 Bond - Bill Fund	8,941,704,710.90	210,720,213.22
AHB White Equity Fund	1,271,259,195.45	23,083,524.47
ATK Orange Bond - Bill Fund	1,015,253,343.56	18,226,843.28
ATE Orange Balanced Fund	609,467,063.59	10,193,336.64
<b>TOTAL</b>	<b>91,694,567,708.54</b>	<b>3,030,069,968.75</b>

(\*) AHL Dynamic Flexible Fund and AHC Mixed Fund (TRY) are yet to be offered to the public; participation ratios for the funds have been registered by the Capital Markets Board as of 15 November 2011.

# Assessment of Financial Standing, Profitability And Claims Payment Ability

2011 was a year of volatilities and uncertainties for the global economy, and of economic growth for the Turkish economy. Remaining as the driver of the sector in its relevant branches despite increased competition, Anadolu Hayat Emeklilik completed 2011 with successful results and maintained its stable and profitable growth. 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, and posted TRY 78.1 million and TRY 64.7 million in gross and net profit, respectively, as at year-end 2011.

## ASSET PERFORMANCE

The Company increased its total assets by 7% and reached an asset size of TRY 5,648 million.

Within asset items, financial assets and investments with risks on policyholders item takes the first place in terms of size. 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 2011, the Company posted TRY 348 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 16% year-on and rose from TRY 2,620 million to TRY 3,030 million.

In 2011, private pension funds made up 60% of the total funds managed by our Company that were worth TRY 5,057 million.

Taking place among our asset items, FX assets amounting to TRY 363 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 55%, technical provisions by 37%, and shareholders' equity and other liability items by 8%.

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 16% 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 decreased 3% year-on and went down from TRY 2.1 billion to TRY 2.03 billion.

As of 31 December 2011, the minimum amount of shareholders' equity necessary for the company as calculated on the principles set by the Turkish Treasury was TRY 116 million; the company's shareholders' equity as of the said date stood at TRY 430 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 2011 totaled TRY 163 million. There was 26% increase in this amount when compared with 2010.

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 147 million, up 26% 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 2011, death benefit payments went up 23% year-on to TRY 16 million.

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.

# 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 approved 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 preparing necessary reports. 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 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 legislation.

Primary risk categories that the company may be exposed to are defined as insurance underwriting and pension branch risk, assets and liabilities management 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 covered in insurance and private pension legislation, taking into consideration the company's risk appetite.

All authorized individuals performing policy issuing procedures during the insurance process are responsible for the adequacy, accuracy and reliability of any information and risk analyses that form the basis of providing insurance cover to any person. For the purpose of following up implementations and ensuring swift and efficient decision-making, the Board of Directors can delegate the Head Office for determining Company-specific authorities, provided that the scope and term of such authority and monitoring, controlling and reporting principles are clearly stated.

Risk Management and Internal Control Department regularly reports on the exposure of the portfolio. The reporting system is ensured to be adequate and effective.

### Assets and Liabilities Risk Policy

Under the assets and liabilities risk that expresses all financial risks apart from the credit risk which stem from the company's assets and liabilities, structural interest rate risk, liquidity risk, capital investment risk and real estate investment risk are considered.

In the composition of the company's assets and liabilities, return on asset items and cost of liability items, cashing-in and reinvestment times are taken into account. The company's needs, alternative borrowing sources, profitability of the lending and lending facilities are taken into account when identifying and utilizing the sources for funding assets.

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 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 investment instrument, maturity, currency, interest type and other similar parameters and in view of the risk level created thereby.

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 Risk Management and Internal Control 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.

Careful consideration is given to the creditworthiness of those issuing financial instruments that pose a market risk. Basically, the issuer of the financial instrument should have been assigned an "investment grade" in terms of credit risk rating. Risk Management and Internal Control Department measures the market risk of the portfolio formed in accordance with the above principles, and prepares quarterly reports.

Within the frame of structural interest rate risk, the exposure stemming from the interest sensitivity of all of the company's assets, liabilities, income and expenses are followed up separately from the interest risk that is addressed under the market risk.

# Risk Management Policies

When managing the liquidity risk, the company creates a portfolio structure that is aligned with the functions of generating profits on the portfolio and market risk management. Attention is paid to make sure that the maturity distribution of the portfolio formed as such is profit-oriented without compromising from liquidity requirements, while the risk-return balance is constantly observed.

Decisions on capital investments are made by the company's Board of Directors. The decision-making process takes into account long-term strategic forecasts and targets, the company's risk appetite, the structure of the current capital investment portfolio, and the current and forecasted risk and return performance of the company and the sector subject to the capital investment.

In the real property investments of the company, it is the basic principle to consider the fair value of the real property, the strategic importance of its location for the company and rental amounts, as well as the limitations set by regulatory arrangements.

## Credit Risk Policy

Credit Risk refers to the probability of loss the company might sustain due to the failure of indebted parties to the company to fulfill the contractual requirements and their failure to satisfy their obligations in part or in whole.

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.

Under the Credit Risk evaluation process, the following are monitored at a minimum:

- 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 regularly 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. The Risk Management & Internal Control Department periodically reports on the same to the Board of Directors.

## Operational Risk Policy

Operational risk is the risk of loss that might result from inadequate or inoperational internal processes, people, systems or external factors.

The basic principle is to consider operational risks with respect to their likelihood and the impact they would create in the event they occurred, and to take necessary countermeasures.

The Risk Management and Internal Control Department regularly monitors all the operational risks that the company may be exposed to during its activities, the risk levels of activity and/or newly-developed products, and the operational losses that occurred. The Risk Management and Internal Control Department updates the risk level when necessary and reports on the same to the Board of Directors.

## Auditing of Risk Management System and Processes

The risk management system and processes are audited by the company's 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 employees with the policy and implementation procedures.

The process also includes laying down proposals regarding the possible measures that can be adopted, as well as reporting stages.

# 5-Year Summary Financial Information Including the Reporting Period

## Financial Highlights and Key Ratios

Financial Highlights (TRY thousand)	2007	2008	2009	2010	2011
Total Premium and Contribution Production*	684,110	685,767	844,155	888,384	**1,015,539
Total Technical Profit	7,958	18,296	18,820	26,839	34,445
Total Assets	2,825,117	3,399,914	4,480,463	5,298,991	5,647,734
Nominal Capital	175,000	250,000	250,000	250,000	300,000
Shareholders' Equity	344,312	349,940	429,892	450,646	430,162
Financial Income	58,027	58,964	87,869	70,034	57,222
Pretax Profit	57,091	67,350	97,993	86,832	78,085
<b>Key Ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Pretax Profit/Shareholders' Equity	17	19	23	19	18
Premium and Contribution Production/Total Assets	24	20	19	17	18
Shareholders' Equity/Total Assets	12	10	10	9	8

\* Total premium figures include premiums from personal accident branch.

\*\* As per the data released by the Pension Monitoring Center as of 6 January 2012.

## Premium and Private Pension Contribution Production

Private Pension Contribution Production (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
344,916	340,439	-1	344,107	1	530,774	54	667,103	26	
Life /Non-Life Premium Production (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
339,194	345,328	2	500,048	45	357,610	-28	348,436	-3	
Premium and Private Pension Contribution Production (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
684,110	685,767	-	844,155	23	888,384	5	1,015,539	14	
Mathematical Reserves and Dividend Reserves (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
1,453,067	1,608,158	11	1,976,486	23	2,090,760	6	2,027,283	-3	
Pension Funds (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
910,158	1,322,590	45	1,952,892	48	2,619,960	34	3,030,070	16	

# 5-Year Summary Financial Information Including the Reporting Period

## Policy Maturity and Death Benefit Payments

Policy Maturity (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
163,616	140,549	-14	132,531	-6	117,124	-12	147,320	26	
Death Benefit Payments (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
10,335	12,859	24	12,067	-6	12,548	4	15,445	23	
Total (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
173,951	153,408	-12	144,598	-6	129,672	-10	162,765	26	

## Technical Results

Life Insurance (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
26,341	11,272	-57	7,250	-36	13,945	92	34,447	147	
Non-Life Insurance (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
(120)	111	-	56	-50	(226)	-	(7)	97	
Private Pension (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
(18,263)	6,913	-	11,514	67	13,120	14	5	-100	
Total (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
7,958	18,296	130	18,820	3	26,839	43	34,445	28	

Financial Income (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
58,027	58,964	2	87,868	49	70,034	-20	57,222	-18	
Financial Expenses and Other Expenses (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
(8,894)	(9,910)	11	(8,695)	-12	(10,041)	15	(13,582)	35	
Pretax Profit (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
57,091	67,350	18	97,993	45	86,832	-11	78,085	-10	
Shareholders' Equity (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
344,312	349,940	2	429,892	23	450,646	5	430,162	-5	
Total Assets (TRY thousand)									
2007	2008	Change (%)	2009	Change (%)	2010	Change (%)	2011	Change (%)	
2,825,117	3,399,914	20	4,480,463	32	5,298,991	18	5,647,734	7	

# Consolidated Financial Information

160 Information on Consolidated Associate

161 Consolidated Financial Statements as at and for the Year Ended  
Period Ended 31 December 2011

# Information on Consolidated Associate

Pursuant to the "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Private 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.	11,937,687	20	31.12.2011	11,748,424	9,393,386	CMB XI/29	Unqualified

## 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.

### Associates

Unconsolidated	Consolidated
8,762	11,938

### Financial Income

Unconsolidated	Consolidated
57,222	55,473

### Pretax Profit

Unconsolidated	Consolidated
78,085	76,336

### Shareholders' Equity

Unconsolidated	Consolidated
430,162	433,338

### Total Assets

Unconsolidated	Consolidated
5,647,734	5,650,910

## INDEPENDENT AUDITORS' REPORT

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

#### *Introduction*

We have audited the accompanying consolidated balance sheet of Anadolu Hayat Emeklilik Anonim Şirketi ("the Company") as at 31 December 2011 and the related consolidated statement 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 2011, 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.

Istanbul, 2 March 2012

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Murat Alsan, Certified Public Accountant

*Partner*

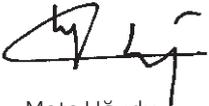
#### **Additional paragraph for convenience translation to English:**

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 EMEKLİLİK ANONİM ŞİRKETİ  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED PERIOD ENDED 31 DECEMBER 2011

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2011 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, 2 March 2012



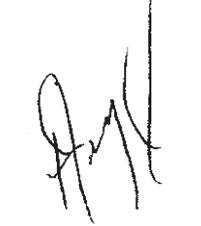
Mete Uğurlu  
Member of Board  
of Directors, Chief  
Executive Officer



Oğuz Haluk Solak  
Vice Chief Executive  
Officer



N. Cem Özcan  
Accounting  
Manager



Fulya Eti  
Statutory Auditor



Zeki Davut  
Statutory Auditor



Harun R. Alpözgen  
Actuary

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# Anadolu Hayat Emeklilik

## Consolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>119,788,925</b>	<b>129,069,140</b>
1- Cash	14	12,206	17,198
2- Cheques Received		-	-
3- Banks	14	52,803,532	76,694,447
4- Cheques Given and Payment Orders	14	(63,794)	(47,274)
5- Other Cash and Cash Equivalents	14, 47	67,036,981	52,404,769
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>2,384,479,049</b>	<b>2,452,962,989</b>
1- Available-for-Sale Financial Assets	11	379,786,097	377,260,875
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	53,243,910	65,860,731
4- Loans and Receivables	11	299,752	297,516
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	1,961,449,072	2,016,552,956
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(10,299,782)	(7,009,089)
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>3,089,760,876</b>	<b>2,675,550,930</b>
1- Receivables from Insurance Operations	12	7,157,908	7,471,182
2- Provision for Receivables from Insurance Operations	12	(2,574)	(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	52,535,573	48,122,482
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	3,030,069,969	2,619,959,840
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
<b>D- Due from Related Parties</b>	<b>12</b>	<b>232,068</b>	<b>92,711</b>
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	232,068	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		-	-
<b>E- Other Receivables</b>	<b>12</b>	<b>7,662,810</b>	<b>6,323,295</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		37,963	38,632
4- Other Miscellaneous Receivables	47	7,624,847	6,284,663
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>4.2</b>	<b>7,931,676</b>	<b>4,775,386</b>
1- Prepaid Expenses		7,672,854	4,552,267
2- Accrued Interest and Rent Income		258,822	208,704
3- Income Accruals		-	14,415
<b>G- Other Current Assets</b>	<b>4.2</b>	<b>889,196</b>	<b>625,277</b>
1- Stocks to be Used in the Following Months		51,570	44,087
2- Prepaid Taxes and Funds		833,924	576,888
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		3,700	4,300
6- Inventory Count Differences		2	2
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
<b>I- Total Current Assets</b>		<b>5,610,744,600</b>	<b>5,269,399,728</b>

# Anadolu Hayat Emeklilik

## Consolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

ASSETS			
	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
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>B- Due from Related Parties</b>			
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- Rediscout on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>			
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscout on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>	<b>9, 45.d</b>	<b>11,937,687</b>	<b>10,902,159</b>
1- Investments in Equity Shares		-	-
2- Investments in Associates	9,45.d	11,937,687	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		-	-
<b>E- Tangible Assets</b>			
1- Investment Properties	6	20,902,936	21,415,727
2- Impairment for Investment Properties	6,7	25,873,087	25,873,087
3- Owner Occupied Property	6	1,338,902	1,338,902
4- Machinery and Equipments	6	4,212,702	3,868,855
5- Furniture and Fixtures	6	2,629,111	2,369,601
6- Motor Vehicles	6	797,979	797,979
7- Other Tangible Assets (Including Leasehold Improvements)	6	2,229,627	2,023,864
8- Tangible Assets Acquired Through Finance Leases	6	1,094,792	1,224,180
9- Accumulated Depreciation	6	(17,273,264)	(16,080,741)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>			
1- Rights	8	8,299,662	6,354,781
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(5,566,770)	(3,971,771)
8- Advances Paid for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>			
1- Prepaid Expenses		50,699	30,516
2- Income Accruals		50,699	30,516
3- Other Prepaid Expenses and Income Accruals		-	-
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts	21	4,541,053	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	4,541,053	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		<b>40,165,267</b>	<b>34,731,412</b>
<b>TOTAL ASSETS</b>		<b>5,650,909,867</b>	<b>5,304,131,140</b>

# Anadolu Hayat Emeklilik

## Consolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Financial Liabilities</b>			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
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>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>3,098,434,154</b>	<b>2,674,173,962</b>
1- Payables Arising from Insurance Operations	19	4,477,923	2,751,562
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	686,569	543,884
4- Payables Arising from Individual Pension Business	19	3,093,269,662	2,670,878,516
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
<b>C- Due to Related Parties</b>	<b>19</b>	<b>2,893</b>	<b>4,085</b>
1- Due to Shareholders	19	903	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	1,990	1,411
<b>D- Other Payables</b>	<b>19</b>	<b>7,560,489</b>	<b>6,022,753</b>
1- Deposits and Guarantees Received	19	213,442	201,082
2- Other Miscellaneous Payables	19,47	7,347,047	5,821,671
3- Discount on Other Miscellaneous Payables		-	-
<b>E- Insurance Technical Provisions</b>	<b>17</b>	<b>2,092,926,088</b>	<b>2,155,205,866</b>
1- Reserve for Unearned Premiums - Net	17	13,833,210	8,081,645
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	2,027,283,249	2,090,760,148
4- Provision for Outstanding Claims - Net	17	49,614,913	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	2,194,716	1,220,317
<b>F- Provisions for Taxes and Other Similar Obligations</b>		<b>9,906,292</b>	<b>5,473,472</b>
1- Taxes and Funds Payable		5,907,683	4,526,412
2- Social Security Premiums Payable		1,471,455	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	13,415,000	15,435,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(10,887,846)	(15,139,000)
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2,338,763</b>	<b>1,150,708</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	2,338,763	1,150,708
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>1,574,906</b>	<b>1,332,794</b>
1- Deferred Income	19	1,511,850	1,160,520
2- Expense Accruals	19	63,056	172,274
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Short-Term Liabilities</b>		<b>59</b>	<b>54</b>
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		59	54
3- Other Various Short-Term Liabilities		-	-
<b>III - Total Short-Term Liabilities</b>		<b>5,212,743,644</b>	<b>4,843,363,694</b>

# Anadolu Hayat Emeklilik

## Consolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Financial Liabilities</b>		-	-
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>B- Payables Arising from Main Operations</b>		-	-
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		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>		-	-
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		-	-
<b>F-Other Liabilities and Relevant Accruals</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>	22,23	4,828,646	3,566,916
1- Provision for Employee Termination Benefits	22,23	4,828,646	3,566,916
2- Provision for Pension Fund Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long-Term Liabilities</b>		-	1,414,610
1- Deferred Tax Liabilities	21	-	1,414,610
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		4,828,646	4,981,526

# Anadolu Hayat Emeklilik

## Consolidated Balance Sheet

### As At 31 December 2011

(Currency: Turkish Lira (TRY))

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A- Paid in Capital</b>	<b>2.13,15</b>	<b>300,000,000</b>	<b>250,000,000</b>
1- (Nominal) Capital	2.13,15	300,000,000	250,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
<b>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>60,922,819</b>	<b>124,712,869</b>
1- Legal Reserves	15	60,430,004	53,804,048
2- Statutory Reserves	15	9,095,243	23,652,466
3- Extraordinary Reserves	15	1,219,776	13,367,976
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	(9,822,204)	33,888,379
6- Other Profit Reserves		-	-
<b>D- Retained Earnings</b>		<b>9,493,958</b>	<b>8,287,838</b>
1- Retained Earnings		9,493,958	8,287,838
<b>E- Accumulated Losses</b>		<b>-</b>	<b>-</b>
1- Accumulated Losses		-	-
<b>F- Net Profit/(Loss) for the Period</b>		<b>62,920,800</b>	<b>72,785,213</b>
1- Net Profit for the Period		62,920,800	72,744,608
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	40,605
<b>V- Total Equity</b>		<b>433,337,577</b>	<b>455,785,920</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,650,909,867</b>	<b>5,304,131,140</b>

# Anadolu Hayat Emeklilik

## Consolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>I- TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>	<b>5</b>	<b>324,579</b>	<b>171,844</b>
1- Earned Premiums (Net of Reinsurer Share)		324,579	171,844
1,1- Written Premiums (Net of Reinsurer Share)	24	642,333	164,340
1,1,1- Written Premiums, gross		832,854	258,261
1,1,2- Written Premiums, ceded	10	(190,521)	(93,921)
1,2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(317,754)	7,504
1,2,1- Reserve for Unearned Premiums, gross		(371,446)	19,970
1,2,2- Reserve for Unearned Premiums, ceded	10	53,692	(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>B- Non-Life Technical Expense</b>	<b>5</b>	<b>(331,636)</b>	<b>(397,551)</b>
1- Incurred Losses (Net of Reinsurer Share)		(147,995)	(161,567)
1,1- Claims Paid (Net of Reinsurer Share)		(90,002)	(134,061)
1,1,1- Claims Paid, gross		(90,002)	(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)		(57,993)	(27,506)
1,2,1- Change in Provisions for Outstanding Claims, gross		(95,094)	77,783
1,2,2- Change in Provisions for Outstanding Claims, ceded	10	37,101	(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)		(18,146)	(4,950)
4- Operating Expenses	32	(165,495)	(231,034)
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>(7,057)</b>	<b>(225,707)</b>
<b>D- Life Technical Income</b>	<b>5</b>	<b>563,171,487</b>	<b>551,195,278</b>
1- Earned Premiums (Net of Reinsurer Share)		331,774,313	348,064,197
1,1- Written Premiums (Net of Reinsurer Share)	24	337,208,124	350,122,861
1,1,1- Written Premiums, gross		347,603,291	357,352,064
1,1,2- Written Premiums, ceded	10	(10,395,167)	(7,229,203)
1,2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(5,433,811)	(2,058,664)
1,2,1- Reserve for Unearned Premiums, gross		(5,646,631)	(2,152,102)
1,2,2- Reserve for Unearned Premiums, ceded	10	212,820	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	223,432,387	195,491,688
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		7,964,787	7,639,393

# Anadolu Hayat Emeklilik

## Consolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(528,724,711)</b>	<b>(537,249,963)</b>
1- Incurred Losses (Net of Reinsurer Share)		(432,889,365)	(409,280,143)
1.1- Claims Paid (Net of Reinsurer Share)		(429,084,490)	(400,733,338)
1.1.1- Claims Paid, gross		(430,720,241)	(401,626,730)
1.1.2- Claims Paid, ceded	10	1,635,751	893,392
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(3,804,875)	(8,546,805)
1.2.1- Change in Provisions for Outstanding Claims, gross		(4,168,794)	(8,604,406)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	363,919	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)		(41,996,300)	(73,471,133)
3.1- Change in Life Mathematical Provisions, gross		(43,956,808)	(75,525,566)
3.2- Change in Life Mathematical Provisions, ceded	10	1,960,508	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)		(956,253)	(832,119)
6- Operating Expenses	32	(52,882,793)	(53,666,568)
7- Investment Expenses		-	-
8- Unrealized Losses on Investments		-	-
9- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D - E)</b>		<b>34,446,776</b>	<b>13,945,315</b>
<b>G- Pension Business Technical Income</b>	<b>5,25</b>	<b>113,849,562</b>	<b>95,156,430</b>
1- Fund Management Income	25	70,109,006	55,617,732
2- Management Fee	25	29,083,449	23,501,810
3- Entrance Fee Income	25	14,256,976	15,711,175
4- Management Expense Charge in case of Suspension	25	278,560	231,133
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance	25	16,700	324
7- Other Technical Expense	25	104,871	94,256
<b>H- Pension Business Technical Expense</b>	<b>5</b>	<b>(113,844,799)</b>	<b>(82,036,396)</b>
1- Fund Management Expense		(12,160,541)	(11,383,014)
2- Decrease in Value of Capital Allowances Given as Advance		(14,300)	-
3- Operating Expenses	32	(100,224,705)	(69,802,560)
4- Other Technical Expenses		(1,445,253)	(850,822)
<b>I- Net Technical Income - Pension Business (G - H)</b>		<b>4,763</b>	<b>13,120,034</b>

# Anadolu Hayat Emeklilik

## Consolidated Statement of Income

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>C- Net Technical Income - Non-Life (A-B)</b>		<b>(7,057)</b>	<b>(225,707)</b>
<b>F- Net Technical Income - Life (D-E)</b>		<b>34,446,776</b>	<b>13,945,315</b>
<b>I- Net Technical Income - Pension Business (G-H)</b>		<b>4,763</b>	<b>13,120,034</b>
<b>J- Total Net Technical Income (C+F+I)</b>		<b>34,444,482</b>	<b>26,839,642</b>
<b>K- Investment Income</b>	<b>26</b>	<b>55,473,332</b>	<b>71,422,376</b>
1- Income from Financial Assets		28,493,844	20,911,336
2- Income from Disposal of Financial Assets		5,747,322	18,712,905
3- Valuation of Financial Assets		3,363,067	17,052,876
4- Foreign Exchange Gains	36	3,327,777	994,669
5- Income from Associates	26	1,878,677	2,197,214
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	2,590,872	2,335,332
8- Income from Derivative Transactions		325,415	1,550,944
9- Other Investments	26	9,746,358	7,667,100
10- Income Transferred from Life Section		-	-
<b>L- Investment Expense (-)</b>		<b>(7,602,775)</b>	<b>(7,901,375)</b>
1- Investment Management Expenses (inc. interest)		(2,081,878)	(2,174,929)
2- Diminution in Value of Investments		(6,563)	(2,700)
3- Loss from Disposal of Financial Assets		(1,467,101)	(2,119,211)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(646,502)	(856,035)
7- Depreciation and Amortization Expenses	6,8	(3,400,731)	(2,748,500)
8- Other Investment Expenses		-	-
<b>M- Income and Expenses From Other and Extraordinary Operation(+/-)</b>		<b>(5,979,239)</b>	<b>(2,140,430)</b>
1- Provisions	47	(5,646,508)	200,539
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	275,348	-
6- Deferred Taxation (Deferred Tax Liabilities)	21	-	(1,946,014)
7- Other Income		14,415	4,019
8- Other Expenses and Losses		(622,494)	(398,974)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
<b>N- Net Profit for the Year</b>	<b>37</b>	<b>62,920,800</b>	<b>72,785,213</b>
1- Profit for the Year		76,335,800	88,220,213
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(13,415,000)	(15,435,000)
3- Net Profit for the Year	37	<b>62,920,800</b>	<b>72,785,213</b>
4- Monetary Gains and Losses		-	-

# Anadolu Hayat Emeklilik

## Consolidated Statement of Changes in Equity

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

#### Audited Changes in Equity - 31 December 2010

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
<b>I - Balance at the end of the previous year - 31 December 2009</b>		<b>250,000,000</b>	-	<b>27,685,918</b>	-
<b>II - Change in Accounting Standards</b>		-	-	-	-
<b>III - Restated balances (I+II) - 1 January 2010</b>		<b>250,000,000</b>	-	<b>27,685,918</b>	-
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 - Transfers from retained earnings	15	-	-	-	-
<b>IV - Balance at the end of the year - 31 December 2010</b>		<b>250,000,000</b>	-	<b>33,888,379</b>	-

#### Audited Changes in Equity - 31 December 2011

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
<b>I - Balance at the end of the year period - 31 December 2010</b>		<b>250,000,000</b>	-	<b>33,888,379</b>	-
<b>II - Change in Accounting Standards</b>		-	-	-	-
<b>III - Restated balances (I+II) -1 January 2011</b>		<b>250,000,000</b>	-	<b>33,888,379</b>	-
A- Capital increase (A1+A2)		50,000,000	-	-	-
1- In cash		-	-	-	-
2- From reserves		50,000,000	-	-	-
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	-	-	(43,710,583)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Dividends paid	38	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-
<b>IV - Balance at the end of the year - 31 December 2011</b>		<b>300,000,000</b>	-	<b>(9,822,204)</b>	-

# Anadolu Hayat Emeklilik

## Consolidated Statement of Changes in Equity

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (or Loss) for the Period	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

Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (or Loss) for the Period	Retained Earnings	Total
-	53,804,048	23,652,466	13,367,976	72,785,213	8,287,838	455,785,920
-	-	-	-	-	-	-
-	53,804,048	23,652,466	13,367,976	72,785,213	8,287,838	455,785,920
-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
-	-	-	-	-	-	-
-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(43,710,583)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	62,920,800	-	62,920,800
-	-	-	-	(41,658,560)	-	(41,658,560)
-	6,625,956	5,362,677	17,892,405	(31,126,653)	1,245,615	-
-	60,430,004	9,095,243	1,219,776	62,920,800	9,493,958	433,337,577

# Anadolu Hayat Emeklilik

## Consolidated Statement of Cash Flows

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011	Audited Prior Period 31 December 2010
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		657,443,289	574,302,308
2. Cash provided from reinsurance activities		142,685	130,536
3. Cash provided from individual pension business		122,030,762	93,237,766
4. Cash used in insurance activities		(555,773,433)	(454,639,558)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(109,744,982)	(67,586,799)
<b>7. Cash provided by operating activities</b>		<b>114,098,321</b>	<b>145,444,253</b>
8. Interest paid		-	-
9. Income taxes paid		(15,139,000)	(17,268,730)
10. Other cash inflows		15,411,336	6,940,845
11. Other cash outflows		-	(58,558,802)
<b>12. Net cash provided by operating activities</b>		<b>114,370,657</b>	<b>76,557,566</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets		27,618	45,959
2. Acquisition of tangible assets	6,8	(3,260,344)	(1,233,701)
3. Acquisition of financial assets		(510,600,171)	(1,059,104,978)
4. Proceeds from disposal of financial assets		303,058,650	953,892,589
5. Interests received		120,153,890	89,041,805
6. Dividends received		2,961,934	2,399,321
7. Other cash inflows		14,623,486	10,630,889
8. Other cash outflows		(8,763,426)	(4,049,002)
<b>9. Net cash used in investing activities</b>		<b>(81,798,363)</b>	<b>(8,377,118)</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		(41,658,560)	(56,815,040)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
<b>7. Net cash provided by financing activities</b>		<b>(41,658,560)</b>	<b>(56,815,040)</b>
<b>D. Effect of exchange rate fluctuations on cash and cash equivalents</b>			
		-	-
<b>E. Net increase in cash and cash equivalents</b>		<b>(9,086,266)</b>	<b>11,365,408</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>128,551,536</b>	<b>117,186,128</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>119,465,270</b>	<b>128,551,536</b>

# Anadolu Hayat Emeklilik

## Consolidated Statement of Profit Distribution

### For the Year Ended 31 December 2011

(Currency: Turkish Lira (TRY))

	Note	Audited Current Period 31 December 2011 <sup>(*)</sup>	Audited Prior Period 31 December 2010
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>			
1.1. PERIOD PROFIT <sup>(*)</sup>		76,335,800	88,179,608
1.2. TAXES AND DUTIES PAYABLE		(13,415,000)	(15,435,000)
1.2.1. Corporate Tax (Income Tax)		(13,415,000)	(15,435,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
<b>A. CURRENT PERIOD PROFIT (1.1 - 1.2)</b>		<b>62,920,800</b>	<b>72,744,608</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		(3,233,476)	(3,567,836)
1.5 OTHER STATUTORY RESERVES (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5)) ]</b>		<b>59,687,324</b>	<b>69,176,772</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(13,891,447)
1.6.1. To owners of ordinary shares		-	(13,891,447)
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 (-)		-	(1,658,560)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To owners of ordinary shares		-	(26,108,553)
1.9.2. To owners of privileged shares		-	(26,108,553)
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. LEGAL RESERVES (-)		-	-
1.11. STATUTORY RESERVES(-)		-	(2,915,856)
1.12. EXTRAORDINARY RESERVES		-	(5,362,677)
1.13. OTHER RESERVES		-	(17,851,800)
1.14. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
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 (-)		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1. TO OWNERS OF ORDINARY SHARES		0.20974	0.29098
3.2. TO OWNERS OF ORDINARY SHARES (%)		20.974	29.098
3.3. TO OWNERS OF PRIVILEGED SHARES		0.20974	0.29098
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		20.974	29.098
<b>IV. DIVIDEND PER SHARE</b>			
4.1. TO OWNERS OF ORDINARY SHARES	38	-	0.16
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	16.0
4.3. TO OWNERS OF PRIVILEGED SHARES		-	0.16
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	0.16

(\*) 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 reporting 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

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 2011, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 83.0% of the outstanding shares of the Company.

Name	31 December 2011		31 December 2010	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ	186,000,000	62.0	155,000,000	62.0
Anadolu Anonim Türk Sigorta Şirketi	60,000,000	20.0	50,000,000	20.0
Milli Reasürans TAŞ	3,000,000	1.0	2,500,000	1.0
Publicly traded	51,000,000	17.0	42,500,000	17.0
<b>Paid in capital</b>	<b>300,000,000</b>	<b>100.0</b>	<b>250,000,000</b>	<b>100.0</b>

##### 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 2011, the Company has 19 individual pension investment funds (31 December 2010: 19). In addition, as of the reporting date, two individual pension investment funds have been registered in Capital Markets Board but initial public offering has not been executed yet.

##### 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 its 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

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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

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

	31 December 2011	31 December 2010
Senior level managers	7	6
Directors	84	79
Officers	272	255
Contracted personnel	6	6
Marketing and sales personnel	312	287
Other	14	20
<b>Total</b>	<b>695</b>	<b>653</b>

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

For the year ended 31 December 2011, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TRY 3,158,228 (31 December 2010: 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. In accordance with the above mentioned Communiqué, 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 number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered "Amendments 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. Amendment is effective from 1 January 2011. 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.

Amendment related with the distribution key has the following effects:

Branch	31 December 2011		Difference
	Technical income-expense (New distribution key)	Technical income-expense (Old distribution key)	
Individual pension business	4,763	16,318,351	(16,313,588)
Life branch	34,446,776	18,235,841	16,210,935
Non-life branch	(7,057)	(109,710)	102,653
<b>Total</b>	<b>34,444,482</b>	<b>34,444,482</b>	<b>-</b>

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 the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 the consolidated financial information of the Company as further detailed in note 2.2 - *Consolidation*.

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 Incorporation 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 reporting period

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	: www.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 reporting period.

#### 1.10 Events after the reporting period

At the Board of Directors meeting of the Company held on 23 January 2012, it was resolved that the new regional office to be established in Antalya in the name of "Mediterranean Regional Office" and head office be responsible for related processes.

## 2 Summary of 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.

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

Accounting for subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered "Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures", issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TFRSs for the accounting of subsidiaries,

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

associates and joint venture until the publication of another regulation on this issue by the Turkish Treasury. "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4<sup>th</sup> repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no 1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board.

#### **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 reporting period, 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 policies 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.

##### **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, financial investments with risks on saving life policyholders classified as available-for-sale financial assets and derivative financial instruments 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 period.

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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.*

#### 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 AŞ.

#### 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 reporting period 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. Foreign currency exchange differences of unrecognized gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

#### 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 period.

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

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#### 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.

#### 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 favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

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

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

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

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*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 2011, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounting to TRY 7,125,182 (31 December 2010: TRY 112,598,382) 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 reporting period 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 reporting period, 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 period are detailed in *Note 47*.

#### 2.10 Derivative Financial Instruments

As at the reporting period, 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 fair value.

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 re-measured 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, 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.

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#### 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 of 31 December 2011, the Company's issued capital is TRY 300,000,000 (31 December 2010: TRY 250,000,000).

#### Sources of the capital increases during the period

The Company's issued capital increased from TRY 250,000,000 to TRY 300,000,000 by TRY 50,000,000 through the transfer of extraordinary reserves by TRY 30,000,000, statutory reserves by TRY 18,917,988 inflation adjustment on statutory reserves by TRY 1,001,912 and income from the disposal of the subsidiaries by TRY 80,100.

#### Privileges on common shares representing share capital

As at 31 December 2011, the share capital of the Company was amounted TRY 300,000,000 (31 December 2010: TRY 250,000,000), divided into 30,000,000,000 shares (31 December 2010: 25,000,000,000 shares) with each has a nominal value of TRY 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TRY 0.01 for each and 29,900,000,000 Group B shares having a nominal values of TRY 0.01 for each. 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. It has been resolved in the Ordinary General Assembly of the Company held at 29 March 2011 that the registered capital of the Company is to be increased to TRY 450,000,000 (31 December 2010: TRY 300,000,000). Registration is completed at 18 April 2011.

#### 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 at the reporting period, 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 2011 and 2010, 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.

According to the "General Communique on Corporate Tax" promulgated in Official Gazette no 28178 dated 19 January 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously. Amendment is applied to the accompanying financial statements since General Communique on Corporate Tax is applicable as at 31 December 2011.

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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 Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2011 is TRY 2,731.85 (31 December 2010: 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 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Discount rate	2.58% - 4.50%	4.66%
Expected rate of salary/limit increase	5.00%	5.10%

##### Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period 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 reporting period 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 period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

#### 2.21 Revenue recognition

##### Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods 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 reporting period 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 at the reporting period. 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.

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#### 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 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.

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#### 2.23 Dividend distribution

In accordance with the Articles of Incorporation 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 incorporation, 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 reporting period 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 policies become active at 12:00 at noon and end at 12:00 at noon.

#### 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 2011 and 2010, related test have not resulted any deficiency in the premiums of the Company.

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#### 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 reporting period 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 reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 3,559,695 (31 December 2010: TRY 3,218,627).

According to the 7<sup>th</sup> article 6<sup>th</sup> 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 2011, 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 reporting period, IBNR is recorded as 90% of the result obtained by multiplying weighted average IBNR ratio by the premium production of last 12 months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 57,854 (31 December 2010: TRY 34,885).

#### 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 2,194,716 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (31 December 2010: TRY 1,220,317).

#### 2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

#### 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.

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(Currency: Turkish Lira (TRY))

#### 2.31 Events after the reporting period

"Events After the Reporting Period"; post-reporting date events that provide additional information about the Company's position at the reporting periods (adjusting events) are reflected in the financial statements. Post-reporting date 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 2011. 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 November 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 2015. 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.

Amendments to IAS 1 - "*Presentation of Items of Other Comprehensive Income*" are effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items which will never be reclassified.

Revised IFRS 13 "*Fair Value Measurement*" replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity shall apply IFRS 13 for annual periods beginning on or after 1 January 2013.

The amended IAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

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

- IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 *Joint Arrangements* focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case) and supersedes IAS 31 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* introduce an exception to the general measurement requirements of IAS 12 *Income Taxes* in respect of investment properties measured at fair value. The standard is effective for annual periods beginning on or after 1 January 2012.
- IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008). IAS 28 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.

#### 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 2.26* - Provision for outstanding claims

*Note 2.27* - Mathematical provisions

*Note 4.1* - Management of insurance risk

*Note 4.2* - Financial risk management

*Note 7* - Investment properties

*Note 11* - Financial assets

*Note 12* - Loans and receivables

*Note 21* - Deferred income tax

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#### 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 2011, the Company's life insurance claims/premiums ratio stands at 21%. 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 of 31 December 2011, the Company's personal accident insurance claims/premiums ratio is 24%. 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 periods is presented below:

	31 December 2011	31 December 2010
Life insurance	21%	27%
Personal accident	24%	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 at 31 December 2011 and 2010, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	31 December 2011	31 December 2010
Death by natural cause	7%	6%
Death by accident	36%	32%
Disability by accident	49%	46%
Disability by illness	46%	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 100,000 or "death by accident" risk account exceeds TRY 200,000 in its individual life branch in 2011, 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 360,000 for its group life policies.

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

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#### 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 2011			
Branches	Total gross risk liability (*)	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	31,140,489,747	5,697,118,108	25,443,371,639
Personal accident	2,454,613,668	1,019,646,081	1,434,967,587
<b>Total</b>	<b>33,595,103,415</b>	<b>6,716,764,189</b>	<b>26,878,339,226</b>

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
<b>Total</b>	<b>28,623,827,310</b>	<b>5,199,234,811</b>	<b>23,424,592,499</b>

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

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 2011			
Claims liability total (*)	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	18,513,556	673,064	17,840,492
Central Anatolian Region	7,724,049	1,230	7,722,819
Aegean Region	5,899,367	3,465	5,895,902
Mediterranean Region	4,642,081	28,720	4,613,361
Black Sea Region	3,466,193	5,583	3,460,610
South East Anatolian Region	1,980,702	-	1,980,702
East Anatolian Region	1,843,162	-	1,843,162
Foreign countries (other)	2,640,316	-	2,640,316
<b>Total</b>	<b>46,709,426</b>	<b>712,062</b>	<b>45,997,364</b>

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
<b>Total</b>	<b>52,339,991</b>	<b>449,747</b>	<b>51,890,244</b>

(\*) 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

As at 31 December 2011, 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 period, 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.

#### 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 2011 and 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.

31 December 2011	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
<b>Maximum credit risk exposure as at the reporting period (A+B+C)</b>	<b>118,775</b>	<b>59,572,132</b>	<b>232,068</b>	<b>7,662,810</b>	<b>2,297,877,021</b>	<b>119,840,513</b>
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	118,775	55,283,626	232,068	7,662,810	2,297,877,021	119,840,513
B. Net book value of part due but not impaired assets	-	4,288,506	-	-	-	-
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 2010	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
<b>Maximum credit risk exposure as at the reporting period (A+B+C)</b>	<b>7,891</b>	<b>55,583,199</b>	<b>92,711</b>	<b>6,323,295</b>	<b>2,342,115,384</b>	<b>129,099,216</b>
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	7,891	50,115,589	92,711	6,323,295	2,342,115,384	129,099,216
B. Net book value of part 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 İMKB Takas ve Saklama Bankası AŞ (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 2011, maturity analyses of the Company's assets and liabilities are presented in the table below:

31 December 2011	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	71,627,758	33,453,543	14,707,624	-	-	-	-	119,788,925
Financial assets and investments with risks on policyholders	-	6,404,550	82,362,368	146,995,010	585,061,231	1,393,273,516	170,382,374	2,384,479,049
Receivables from main operations	-	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	-	232,068	-	-	-	232,068
Other receivables	-	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	-	11,937,687	11,937,687
Tangible assets	-	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	-	4,541,053	4,541,053
<b>Total assets</b>	<b>71,627,758</b>	<b>47,183,299</b>	<b>98,074,268</b>	<b>148,707,042</b>	<b>585,061,231</b>	<b>1,393,273,516</b>	<b>3,306,982,753</b>	<b>5,650,909,867</b>
Payables arising from main operations	-	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	-	903	-	-	1,990	2,893
Other payables	-	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	-	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	-	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	-	433,337,577	433,337,577
<b>Total liabilities</b>	<b>-</b>	<b>16,135,278</b>	<b>1,837,528</b>	<b>687,472</b>	<b>-</b>	<b>4,828,646</b>	<b>5,627,420,943</b>	<b>5,650,909,867</b>
<b>Net liquidity surplus/(deficit)</b>	<b>71,627,758</b>	<b>31,048,021</b>	<b>96,236,740</b>	<b>148,019,570</b>	<b>585,061,231</b>	<b>1,388,444,870</b>	<b>(2,320,438,190)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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	192,873,899	60,498,910	649,422,758	1,405,982,591	143,887,315	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
<b>Total assets</b>	<b>56,293,177</b>	<b>79,073,200</b>	<b>193,493,929</b>	<b>62,054,409</b>	<b>649,422,758</b>	<b>1,405,982,591</b>	<b>2,857,811,076</b>	<b>5,304,131,140</b>
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 payables	-	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	-	296,000	-	-	12,734	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 liabilities	-	-	-	-	-	-	1,414,610	1,414,610
Shareholders' equity	-	-	-	-	-	-	455,785,920	455,785,920
<b>Total liabilities</b>	<b>-</b>	<b>11,228,640</b>	<b>1,012,370</b>	<b>842,558</b>	<b>-</b>	<b>3,566,916</b>	<b>5,287,480,656</b>	<b>5,304,131,140</b>
<b>Net liquidity surplus/(deficit)</b>	<b>56,293,177</b>	<b>67,844,560</b>	<b>192,481,559</b>	<b>61,211,851</b>	<b>649,422,758</b>	<b>1,402,415,675</b>	<b>(2,429,669,580)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 periods, 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 2011						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	523,616	318,401	34,489	23,491	147,235	-
2. Financial assets and financial investments with risks on policyholders	361,399,276	254,198,142	94,513,542	12,687,592	-	-
3. Receivables from main operations	598,991	486,131	105,445	7,222	-	193
4. Reinsurance receivables	41,875	-	41,875	-	-	-
5. Rent receivables	4,590	4,590	-	-	-	-
6. Deposits given	20,778	20,778	-	-	-	-
<b>Foreign currency assets, current</b>	<b>362,589,126</b>	<b>255,028,042</b>	<b>94,695,351</b>	<b>12,718,305</b>	<b>147,235</b>	<b>193</b>
<b>7. Total assets</b>	<b>362,589,126</b>	<b>255,028,042</b>	<b>94,695,351</b>	<b>12,718,305</b>	<b>147,235</b>	<b>193</b>
8. Finance lease liabilities	-	-	-	-	-	-
9. Payables to reinsurers	40,148	37,905	-	1,167	14	1,062
10. Agency guarantees	171,486	167,140	4,346	-	-	-
11. Technical provisions	328,677,846	233,976,862	84,560,016	10,015,584	23,523	101,861
<b>Foreign currency liabilities, short term</b>	<b>328,889,480</b>	<b>234,181,907</b>	<b>84,564,362</b>	<b>10,016,751</b>	<b>23,537</b>	<b>102,923</b>
<b>12. Total liabilities</b>	<b>328,889,480</b>	<b>234,181,907</b>	<b>84,564,362</b>	<b>10,016,751</b>	<b>23,537</b>	<b>102,923</b>
<b>Net financial position</b>	<b>33,699,646</b>	<b>20,846,135</b>	<b>10,130,989</b>	<b>2,701,554</b>	<b>123,698</b>	<b>(102,730)</b>
<b>Net long/(short) position on monetary items</b>	<b>33,678,868</b>	<b>20,825,357</b>	<b>10,130,989</b>	<b>2,701,554</b>	<b>123,698</b>	<b>(102,730)</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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	-	-	-	-
<b>Foreign currency assets, current</b>	<b>308,980,613</b>	<b>207,203,975</b>	<b>88,610,401</b>	<b>13,142,264</b>	<b>22,722</b>	<b>1,251</b>
<b>7. Total assets</b>	<b>308,980,613</b>	<b>207,203,975</b>	<b>88,610,401</b>	<b>13,142,264</b>	<b>22,722</b>	<b>1,251</b>
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
<b>Foreign currency liabilities, short term</b>	<b>248,494,280</b>	<b>171,579,656</b>	<b>68,998,342</b>	<b>7,770,376</b>	<b>26,641</b>	<b>119,265</b>
<b>12. Total liabilities</b>	<b>248,494,280</b>	<b>171,579,656</b>	<b>68,998,342</b>	<b>7,770,376</b>	<b>26,641</b>	<b>119,265</b>
<b>Net financial position</b>	<b>60,486,333</b>	<b>35,624,319</b>	<b>19,612,059</b>	<b>5,371,888</b>	<b>(3,919)</b>	<b>(118,014)</b>
<b>Net long/(short) position on monetary items</b>	<b>60,463,720</b>	<b>35,601,706</b>	<b>19,612,059</b>	<b>5,371,888</b>	<b>(3,919)</b>	<b>(118,014)</b>

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 2011.

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

31 December 2011	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	1.8889	2.4438	2.9170	2.0062	0.0243

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

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2011 and 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 2011				
	Profit/loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>If USD value changes by 10% against TRY</b>				
1- Net US Dollar assets/liabilities	1.963.225	(1.963.225)	2.084.614	(2.084.614)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>1.963.225</b>	<b>(1.963.225)</b>	<b>2.084.614</b>	<b>(2.084.614)</b>
<b>If EUR value changes by 10% against TRY</b>				
4- Net Euro assets/liabilities	1.006.851	(1.006.851)	1.013.099	(1.013.099)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>1.006.851</b>	<b>(1.006.851)</b>	<b>1.013.099</b>	<b>(1.013.099)</b>
<b>If GBP value changes by 10% against TRY</b>				
7- Net GBP assets/liabilities	266.807	(266.807)	270.155	(270.155)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>266.807</b>	<b>(266.807)</b>	<b>270.155</b>	<b>(270.155)</b>
<b>If CHF value changes by 10% against TRY</b>				
10- Net CHF assets/liabilities	12.370	(12.370)	12.370	(12.370)
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>12.370</b>	<b>(12.370)</b>	<b>12.370</b>	<b>(12.370)</b>
<b>If JPY value changes by 10% against TRY</b>				
13- Net JPY assets/liabilities	(10.273)	10.273	(10.273)	10.273
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(10.273)</b>	<b>10.273</b>	<b>(10.273)</b>	<b>10.273</b>
<b>Total (3+6+9+12+15)</b>	<b>3.238.980</b>	<b>(3.238.980)</b>	<b>3.369.965</b>	<b>(3.369.965)</b>

(\*) Includes profit/loss effect.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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
<b>If USD value changes by 10% against TRY</b>				
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 (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>3.374.998</b>	<b>(3.374.998)</b>	<b>3.562.432</b>	<b>(3.562.432)</b>
<b>If EUR value changes by 10% against TRY</b>				
4- Net Euro assets/liabilities	1.931.172	(1.931.172)	1.961.206	(1.961.206)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>1.931.172</b>	<b>(1.931.172)</b>	<b>1.961.206</b>	<b>(1.961.206)</b>
<b>If GBP value changes by 10% against TRY</b>				
7- Net GBP assets/liabilities	527.261	(527.261)	537.189	(537.189)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>527.261</b>	<b>(527.261)</b>	<b>537.189</b>	<b>(537.189)</b>
<b>If CHF value changes by 10% against TRY</b>				
10- Net CHF assets/liabilities	(392)	392	(392)	392
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>(392)</b>	<b>392</b>	<b>(392)</b>	<b>392</b>
<b>If JPY value changes by 10% against TRY</b>				
13- Net JPY assets/liabilities	(11.801)	11.801	(11.801)	11.801
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(11.801)</b>	<b>11.801</b>	<b>(11.801)</b>	<b>11.801</b>
<b>Total (3+6+9+12+15)</b>	<b>5.821.238</b>	<b>(5.821.238)</b>	<b>6.048.634</b>	<b>(6.048.634)</b>

(\*) Includes profit/loss effect.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	31 December 2011	31 December 2010
<b>Fixed rate financial instruments</b>		
Financial assets	1,632,216,630	1,713,869,071
Financial assets at fair value through profit or loss	4,111,040	12,438,421
Available-for-sale financial assets	1,627,805,838	1,701,133,134
Loans and receivables	299,752	297,516
Banks	48,161,167	72,775,964
<b>Variable rate financial instruments</b>		
Financial assets	581,880,045	595,206,603

#### Interest rate sensitivity of financial instruments

As at 31 December 2011 and 2010, interest rate risk analysis of financial assets and financial liabilities are summarized in the table below:

31 December 2011	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<b>Assets:</b>							
Cash and cash equivalents	33,453,543	14,707,624	-	-	-	71,627,758	119,788,925
Financial assets and investments with risks on policyholders	496,889,994	169,761,559	147,941,677	248,063,521	1,151,439,924	170,382,374	2,384,479,049
Receivables from main operations	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	232,068	-	-	-	232,068
Other receivables	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	11,937,687	11,937,687
Tangible assets	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	4,541,053	4,541,053
<b>Total assets</b>	<b>537,668,743</b>	<b>185,473,459</b>	<b>149,653,709</b>	<b>248,063,521</b>	<b>1,151,439,924</b>	<b>3,378,610,511</b>	<b>5,650,909,867</b>
<b>Liabilities:</b>							
Payables arising from main operations	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	903	-	-	1,990	2,893
Other liabilities	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	433,337,577	433,337,577
<b>Total liabilities and equity</b>	<b>16,135,278</b>	<b>1,837,528</b>	<b>687,472</b>	<b>-</b>	<b>4,828,646</b>	<b>5,627,420,943</b>	<b>5,650,909,867</b>
<b>Net position</b>	<b>521,533,465</b>	<b>183,635,931</b>	<b>148,966,237</b>	<b>248,063,521</b>	<b>1,146,611,278</b>	<b>(2,248,810,432)</b>	<b>-</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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
<b>Assets:</b>							
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
<b>Total assets</b>	<b>577,316,536</b>	<b>287,093,912</b>	<b>66,017,352</b>	<b>393,805,811</b>	<b>1,066,392,935</b>	<b>2,913,504,594</b>	<b>5,304,131,140</b>
<b>Liabilities:</b>							
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
<b>Total liabilities and equity</b>	<b>11,228,640</b>	<b>1,012,370</b>	<b>546,558</b>	<b>-</b>	<b>3,566,916</b>	<b>5,287,776,656</b>	<b>5,304,131,140</b>
<b>Net position</b>	<b>566,087,896</b>	<b>286,081,542</b>	<b>65,470,794</b>	<b>393,805,811</b>	<b>1,062,826,019</b>	<b>(2,374,272,062)</b>	<b>-</b>

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 2011 and 2010 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2011 and 2010. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2011 and 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 2011	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(4,677,402)	4,935,000	(21,169,450)	27,704,187
<b>Total, net</b>	<b>(4,677,402)</b>	<b>4,935,000</b>	<b>(21,169,450)</b>	<b>27,704,187</b>

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
<b>Total, net</b>	<b>(2,460,827)</b>	<b>2,559,809</b>	<b>(11,414,736)</b>	<b>13,909,059</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 reporting period, 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.

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

	31 December 2011			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Financial assets held for trading	53,243,910	-	-	53,243,910
Available for sale financial assets (*)	347,901,805	-	-	347,901,805
Financial investments with risks on policyholders classified as available for sale	1,961,449,072	-	-	1,961,449,072
Loans and Receivables	299,752	-	-	299,752
Receivables from individual pension business	3,030,069,969	-	-	3,030,069,969
<b>Total financial assets</b>	<b>5,392,964,508</b>	<b>-</b>	<b>-</b>	<b>5,392,964,508</b>
<b>Financial liabilities:</b>				
Investment contract liabilities - life mathematical provision for saving life policies	2,027,283,249	-	-	2,027,283,249
Payables arising from individual pension business (**)	3,030,069,969	-	-	3,030,069,969
<b>Total financial liabilities</b>	<b>5,057,353,218</b>	<b>-</b>	<b>-</b>	<b>5,057,353,218</b>

(\*) As at 31 December 2011, securities that are not publicly traded amounting to TRY 31,884,292 have been measured at cost and are excluded from the table.

(\*\*) Includes investments directed individual pension funds.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

	31 December 2010			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
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
<b>Total financial assets</b>	<b>5,053,501,543</b>	<b>-</b>	<b>-</b>	<b>5,053,501,543</b>

<i>Financial liabilities:</i>				
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
<b>Total financial liabilities</b>	<b>4,710,719,988</b>	<b>-</b>	<b>-</b>	<b>4,710,719,988</b>

(\*) 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.

(\*\*) Includes investments directed individual pension funds.

#### 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.

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 2011 and 2010.

	Change in index	31 December 2011	31 December 2010
Market price of equity	10%	6,118,104	7,930,380

The effect of changes in fair values of the financial assets held for trading 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 2011 and 2010.

	Change in index	31 December 2011	31 December 2010
Market price of equity	10%	383,648	1,242,004

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Value at risk

As at 31 December 2011, the Company's total value at risk is TRY 2,205,397 and basis of the calculation is presented in the below table:

Value at risk	31 December 2011	31 December 2010
<b>TRY transactions</b>	<b>2,111,802</b>	<b>1,041,673</b>
TRY marketable securities	2,111,802	1,041,673
<b>FC transactions</b>	<b>5,782</b>	<b>6,567</b>
Foreign currency position	5,782	6,567
<b>Equity shares</b>	<b>274,220</b>	<b>458,561</b>
Held for trading securities	274,220	458,561
<b>Effect of portfolio diversity</b>	<b>(186,407)</b>	<b>(217,022)</b>
<b>Total</b>	<b>2,205,397</b>	<b>1,289,779</b>

#### 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.

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 2011 is summarized below. As at 31 December 2011, the capital adequacy of the Company is TRY 116,010,603 and TRY 65,787,688; 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 2011. The Company's capital calculated based on the regulation as at 31 December 2011 TRY 430,162,083. Consequently, the Company's capital is adequate.

Capital Adequacy Table		
	31 December 2011	31 December 2010
<b>1. method</b>		
Required capital for non-life branches	186,997	178,239
Required capital for life branch	106,373,431	100,852,982
Required capital for pension branch	9,450,175	8,424,900
<b>Required capital based on the first method</b>	<b>116,010,603</b>	<b>109,456,121</b>
<b>2. method</b>		
Required capital for asset risk	42,499,418	37,007,944
Required capital for reinsurance risk	2,531,662	538,642
Required capital for excessive premium increase	96,239	-
Required capital for outstanding claims risk	1,240,373	1,378,594
Required capital for underwriting risk	16,892,523	17,514,360
Required capital for interest rate and currency risk	2,527,473	533,821
<b>Required capital based on the second method</b>	<b>65,787,688</b>	<b>56,973,361</b>
<b>Required capital</b>	<b>116,010,603</b>	<b>109,456,121</b>
<b>Current capital</b>	<b>430,162,083</b>	<b>450,645,954</b>
<b>Excessive capital</b>	<b>314,151,480</b>	<b>341,189,833</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 9 August 2010.

31 December 2011	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
Technical income	563,171,487	113,849,562	324,579	677,345,628
Technical expense	(528,724,711)	(113,844,799)	(331,636)	(642,901,146)
Total of other income and expense	20,940,691	20,819,985	130,642	41,891,318
<b>Income before tax</b>	<b>55,387,467</b>	<b>20,824,748</b>	<b>123,585</b>	<b>76,335,800</b>
Income tax expense	-	-	-	(13,415,000)
<b>Net profit for the period</b>	<b>55,387,467</b>	<b>20,824,748</b>	<b>123,585</b>	<b>62,920,800</b>

31 December 2011	Life	Individual Pension	Personal Accident	Total
Segment assets	2,305,110,733	3,331,420,684	14,378,450	5,650,909,867
<b>Total assets</b>	<b>2,305,110,733</b>	<b>3,331,420,684</b>	<b>14,378,450</b>	<b>5,650,909,867</b>
Segment liabilities	(2,313,323,543)	(3,323,142,117)	(14,444,207)	(5,650,909,867)
<b>Total liabilities</b>	<b>(2,313,323,543)</b>	<b>(3,323,142,117)</b>	<b>(14,444,207)</b>	<b>(5,650,909,867)</b>

<b>Other segment information</b>				
Depreciation and amortization	(1,699,962)	(1,690,163)	(10,606)	<b>(3,400,731)</b>

31 December 2010	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
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
<b>Income before tax</b>	<b>65,099,883</b>	<b>22,990,030</b>	<b>130,300</b>	<b>88,220,213</b>
Income tax expense	-	-	-	(15,435,000)
<b>Net profit for the period</b>	<b>65,099,883</b>	<b>22,990,030</b>	<b>130,300</b>	<b>72,785,213</b>

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
<b>Total assets</b>	<b>2,563,165,196</b>	<b>2,723,151,413</b>	<b>17,814,531</b>	<b>5,304,131,140</b>
Segment liabilities	(2,537,643,462)	(2,748,851,762)	(17,635,916)	(5,304,131,140)
<b>Total liabilities</b>	<b>(2,537,643,462)</b>	<b>(2,748,851,762)</b>	<b>(17,635,916)</b>	<b>(5,304,131,140)</b>

<b>Other segment information</b>				
Depreciation and amortization	(2,290,552)	(441,950)	(15,998)	<b>(2,748,500)</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Land (*)	1,832,831	-	-	1,832,831
Buildings (*)	25,379,158	-	-	25,379,158
Machinery and equipment	3,868,855	753,469	(409,622)	4,212,702
Vehicles	797,979	-	-	797,979
Furniture and fixtures (includes leased assets)	3,593,781	265,233	(135,111)	3,723,903
Leasehold improvements	2,023,864	296,761	(90,998)	2,229,627
	<b>37,496,468</b>	<b>1,315,463</b>	<b>(635,731)</b>	<b>38,176,200</b>
<i>Accumulated depreciation:</i>				
Buildings (*)	(9,413,496)	(508,688)	-	(9,922,184)
Machinery and equipment	(2,452,743)	(598,660)	408,991	(2,642,412)
Vehicles	(430,869)	(115,705)	-	(546,574)
Furniture and fixtures (includes leased assets)	(2,538,895)	(333,707)	113,219	(2,759,383)
Leasehold improvements	(1,244,738)	(248,972)	90,999	(1,402,711)
	<b>(16,080,741)</b>	<b>(1,805,732)</b>	<b>613,209</b>	<b>(17,273,264)</b>
<b>Carrying amounts</b>	<b>21,415,727</b>			<b>20,902,936</b>

(\*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 14,750,206 are investment properties and given in Note 7 - Investment properties 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 2010 is presented below:

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
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
	<b>36,483,510</b>	<b>1,233,701</b>	<b>(220,743)</b>	<b>37,496,468</b>
<i>Accumulated depreciation:</i>				
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)
	<b>(14,429,775)</b>	<b>(1,826,272)</b>	<b>175,306</b>	<b>(16,080,741)</b>
<b>Carrying amounts</b>	<b>22,053,735</b>			<b>21,415,727</b>

(\*) 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 - Investment properties in detail. Total impairment losses on own use land amounted to TRY 417,070.

There are no pledges on tangible assets.

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 7 Investment properties

Movement in investment properties in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	<b>25,873,087</b>	-	-	<b>25,873,087</b>
<i>Accumulated depreciation:</i>				
Buildings	(9,221,825)	(489,225)	-	(9,711,050)
	<b>(9,221,825)</b>	<b>(489,225)</b>	-	<b>(9,711,050)</b>
<b>Carrying amounts</b>	<b>16,651,262</b>			<b>16,162,037</b>

For the year ended 31 December 2011, the Company has rental income from investment properties amounting TRY 2,590,872 (31 December 2010: TRY 2,335,332).

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
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	<b>25,873,087</b>	-	-	<b>25,873,087</b>
<i>Accumulated depreciation:</i>				
Buildings	(8,732,600)	(489,225)	-	(9,221,825)
	<b>(8,732,600)</b>	<b>(489,225)</b>	-	<b>(9,221,825)</b>
<b>Carrying amounts</b>	<b>17,140,487</b>			<b>16,651,262</b>

As at 31 December 2011, total fair value of the Company's investment properties amounting to TRY 53,523,000 (31 December 2010: 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.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Rights	6,354,781	1,944,881	-	8,299,662
	<b>6,354,781</b>	<b>1,944,881</b>	-	<b>8,299,662</b>
<i>Accumulated amortization:</i>				
Rights	(3,971,771)	(1,594,999)	-	(5,566,770)
	<b>(3,971,771)</b>	<b>(1,594,999)</b>	-	<b>(5,566,770)</b>
<b>Carrying amounts</b>	<b>2,383,010</b>			<b>2,732,892</b>

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

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
Rights	5,019,866	1,334,915	-	6,354,781
	<b>5,019,866</b>	<b>1,334,915</b>	-	<b>6,354,781</b>
<i>Accumulated amortization:</i>				
Rights	(3,049,543)	(922,228)	-	(3,971,771)
	<b>(3,049,543)</b>	<b>(922,228)</b>	-	<b>(3,971,771)</b>
<b>Carrying amounts</b>	<b>1,970,323</b>			<b>2,383,010</b>

#### 9 Investments in associates

	31 December 2011		31 December 2010	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	11,937,687	20.0%	10,902,159	20.0%
<b>Investments in associates, net</b>	<b>11,937,687</b>		<b>10,902,159</b>	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	61,547,285	59,688,436	2,449,493	9,393,386	Audited	31 December 2011

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 2011	31 December 2010
Reserve for unearned premiums, ceded (Note 17.15)	1,557,276	1,290,764
Provision for outstanding claims, ceded (Note 17.15)	990,491	589,625
Life mathematical reserve, ceded (Note 17.15)	5,255,492	3,294,984
<b>Total</b>	<b>7,803,259</b>	<b>5,175,373</b>

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2011	31 December 2010
Current account of insurance companies	1,837,528	1,012,370
Cash deposited by insurance and reinsurance companies (Note 19)	686,569	543,884
<b>Total</b>	<b>2,524,097</b>	<b>1,556,254</b>

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

	31 December 2011	31 December 2010
<i>Life branch:</i>		
Premiums ceded during the period	(10,395,167)	(7,229,203)
Change in unearned premiums reserve, ceded	212,820	93,438
Commissions received from reinsurers (*)	1,666,551	1,058,214
Reinsurers share of claims paid	1,635,751	893,392
Change in outstanding claims, ceded	363,919	57,601
Change in life mathematical reserve, ceded	1,960,508	2,054,433
	<b>(4,555,618)</b>	<b>(3,072,125)</b>
<i>Non-life branch:</i>		
Premiums ceded during the period	(190,521)	(93,921)
Change in unearned premiums reserve, ceded	53,692	(12,466)
Commissions received from reinsurers (*)	59,795	15,279
Reinsurers share of claims paid	-	3,957,078
Change in outstanding claims, ceded	37,101	(105,289)
	<b>(39,933)</b>	<b>3,760,681</b>
<b>Total, net</b>	<b>(4,595,551)</b>	<b>688,556</b>

(\*) Deferred commissions are excluded from commissions received from reinsurers.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 11 Financial assets

As at 31 December 2011 and 2010, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2011	31 December 2010
Available for sale financial assets, Company's own portfolio	379,786,097	377,260,875
Financial assets held for trading purpose	53,243,910	65,860,731
Loans and receivables	299,752	297,516
Financial investments with risks on saving life policyholders classified as available for sale	1,961,449,072	2,016,552,956
Impairment loss on financial assets	(10,299,782)	(7,009,089)
<b>Total</b>	<b>2,384,479,049</b>	<b>2,452,962,989</b>

As at 31 December 2011 and 2010, the Company's financial assets held for trading are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds	4,090,199	4,073,864	4,121,364	4,121,364
Government bonds and treasury bills	6,500,000	6,170,899	6,258,273	6,258,273
<b>Total financial assets held for trading purpose - debt instruments</b>	<b>10,590,199</b>	<b>10,244,763</b>	<b>10,379,637</b>	<b>10,379,637</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares		3,787,332	3,836,479	3,836,479
Investment funds and Turkish derivatives exchange contracts		36,801,538	39,027,794	39,027,794
<b>Total financial assets held for trading purpose - other</b>		<b>40,588,870</b>	<b>42,864,273</b>	<b>42,864,273</b>
<b>Total financial assets held for trading purpose</b>		<b>50,833,633</b>	<b>53,243,910</b>	<b>53,243,910</b>

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
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
<b>Total financial assets held for trading purpose - debt instruments</b>	<b>20,808,199</b>	<b>19,654,131</b>	<b>20,400,985</b>	<b>20,400,985</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
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
<b>Total financial assets held for trading purpose - other</b>		<b>36,914,887</b>	<b>45,459,746</b>	<b>45,459,746</b>
<b>Total financial assets held for trading purpose</b>		<b>56,569,018</b>	<b>65,860,731</b>	<b>65,860,731</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011, the Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	341,673,886	37,096,298	38,631,989	38,631,989
Private sector bonds	772,000	743,523	747,622	747,622
Equity shares	25,000	91,930	60,500	60,500
<b>Total</b>	<b>342,470,886</b>	<b>37,931,751</b>	<b>39,440,111</b>	<b>39,440,111</b>

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
Investment funds	291,618,718	28,759,312	35,121,517	35,121,517
Equity shares	50,000	125,500	130,500	130,500
<b>Total</b>	<b>291,668,718</b>	<b>28,884,812</b>	<b>35,252,017</b>	<b>35,252,017</b>

As at 31 December 2011 and 2010, the Company's loans and receivables are detailed as follows:

	31 December 2011		
	Cost	Fair value	Carrying value
Reverse repo	299,590	299,752	299,752
<b>Total loans and receivables</b>	<b>299,590</b>	<b>299,752</b>	<b>299,752</b>

	31 December 2010		
	Cost	Fair value	Carrying value
Reverse repo	297,464	297,516	297,516
<b>Total loans and receivables</b>	<b>297,464</b>	<b>297,516</b>	<b>297,516</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011 and 2010, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	298,604,011	283,916,309	286,720,766	286,720,766
<b>Total available for sale financial assets - debt instruments</b>	<b>298,604,011</b>	<b>283,916,309</b>	<b>286,720,766</b>	<b>286,720,766</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		95,095,189	93,065,331	93,065,331
<b>Total available for sale financial assets - other</b>		<b>95,095,189</b>	<b>93,065,331</b>	<b>93,065,331</b>
<b>Total available for sale financial assets</b>		<b>379,011,498</b>	<b>379,786,097</b>	<b>379,786,097</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(10,299,782)</b>	<b>(10,299,782)</b>	<b>(10,299,782)</b>
<b>Net available for sale financial assets</b>		<b>368,711,716</b>	<b>369,486,315</b>	<b>369,486,315</b>
(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.				
	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	262,699,842	250,937,359	271,824,217	271,824,217
<b>Total available for sale financial assets - debt instruments</b>	<b>262,699,842</b>	<b>250,937,359</b>	<b>271,824,217</b>	<b>271,824,217</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		77,738,578	105,436,658	105,436,658
<b>Total available for sale financial assets - other</b>		<b>77,738,578</b>	<b>105,436,658</b>	<b>105,436,658</b>
<b>Total available for sale financial assets</b>		<b>328,675,937</b>	<b>377,260,875</b>	<b>377,260,875</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(7,009,089)</b>	<b>(7,009,089)</b>	<b>(7,009,089)</b>
<b>Net available for sale financial assets</b>		<b>321,666,848</b>	<b>370,251,786</b>	<b>370,251,786</b>
(*) 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

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TRY 93,866,723 and a carrying value of TRY 80,801,320 as at 31 December 2011 (31 December 2010: Equity shares with a cost amount of TRY 76,578,396 and a carrying amount of TRY 91,785,238).

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2011 and 2010 are detailed as follows:

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds - TRY	1,490,055,416	1,525,765,157	1,564,384,437	1,564,384,437
Eurobonds issued by the Turkish Government	155,357,000	242,385,282	352,312,083	352,312,083
Investment funds	55,151,200	51,500,165	44,752,552	44,752,552
<b>Total available for sale financial assets - debt instruments</b>	<b>1,700,563,616</b>	<b>1,819,650,604</b>	<b>1,961,449,072</b>	<b>1,961,449,072</b>
<b>Financial investments with risks on saving life policyholders</b>		<b>1,819,650,604</b>	<b>1,961,449,072</b>	<b>1,961,449,072</b>

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds - TRY	1,572,884,563	1,577,561,392	1,722,452,242	1,722,452,242
Eurobonds issued by the Turkish Government	142,071,000	219,268,197	294,100,714	294,100,714
<b>Total available for sale financial assets - debt instruments</b>	<b>1,714,955,563</b>	<b>1,796,829,589</b>	<b>2,016,552,956</b>	<b>2,016,552,956</b>
<b>Financial investments with risks on saving life policyholders</b>		<b>1,796,829,589</b>	<b>2,016,552,956</b>	<b>2,016,552,956</b>

As at 31 December 2011, the financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows (31 December 2010: None):

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	55,151,200	51,500,165	44,752,552	44,752,552
<b>Total</b>	<b>55,151,200</b>	<b>51,500,165</b>	<b>44,752,552</b>	<b>44,752,552</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

The Company has no securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three periods:

	31 December 2011	31 December 2010	31 December 2009
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	774,599	48,584,938	73,065,314
Financial assets held for trading purpose	2,410,277	9,291,713	7,585,847
Loans and receivables	162	52	-
Financial investments with risks on saving life policyholders classified as available for sale	141,798,468	219,723,367	197,145,196
<b>Total</b>	<b>144,983,506</b>	<b>277,600,070</b>	<b>277,796,357</b>

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

The Company has TRY 10,299,782 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 period 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 2011			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,700,563,616	1,819,650,604	1,961,449,072	1,961,449,072
Available for sale financial assets	166,972,223	164,366,682	163,426,966	163,426,966
<b>Total</b>	<b>1,984,017,286</b>	<b>2,124,876,038</b>	<b>2,124,876,038</b>	<b>2,124,876,038</b>

	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
<b>Total</b>	<b>1,941,656,974</b>	<b>2,172,208,579</b>	<b>2,172,208,579</b>	<b>2,172,208,579</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 12 Loans and receivables

The details of the Company's receivables are as follows:

	31 December 2011	31 December 2010
Receivables from insurance operations	7,157,908	7,471,182
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	52,535,573	48,122,482
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	3,030,069,969	2,619,959,840
<b>Total receivables from main operations</b>	<b>3,089,760,876</b>	<b>2,675,550,930</b>
Receivables from personnel	232,068	92,711
Other receivables	7,662,810	6,323,295
<b>Total</b>	<b>3,097,655,754</b>	<b>2,681,966,936</b>

The details of guarantees for the Company's receivables are presented below:

	31 December 2011	31 December 2010
Real estate pledges	1,116,900	1,116,900
Letters of guarantees	1,112,497	838,728
Guarantees and commitments	2,966,437	960,017
<b>Total</b>	<b>5,195,834</b>	<b>2,915,645</b>

	31 December 2011	31 December 2010
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	131,846
Collections	-	(13,850)
Charge for the period	-	-
<b>Provisions for doubtful receivables from main operations and insurance operations at the end of the period</b>	<b>117,996</b>	<b>117,996</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2010: TRY 117,996).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2010: 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 2011	31 December 2010
USD Dollar - <i>buy</i>	1.8889	1.5460
USD Dollar - <i>sale</i>	1.8980	1.5535
Euro - <i>buy</i>	2.4438	2.0491
Euro - <i>sale</i>	2.4556	2.0590
British Pound	2.9170	2.3886
Japanese Yen	0.0243	0.0189
Swiss Frank	2.0062	1.6438

31 December 2011	USD Dollar	Euro	GBP	JPY	CHF	Total (TRY)
Receivables from policyholders	486,131	105,445	7,222	193	-	598,991
Reinsurer receivables	-	41,875	-	-	-	41,875
Rent receivables	4,590	-	-	-	-	4,590
Deposits given	20,778	-	-	-	-	20,778
<b>Total foreign currency assets</b>	<b>511,499</b>	<b>147,320</b>	<b>7,222</b>	<b>193</b>	<b>-</b>	<b>666,234</b>

Reinsurer payables (*)	37,905	-	1,167	1,062	14	40,148
Agency guarantees (**)	167,140	4,346	-	-	-	171,486
<b>Total foreign currency liabilities</b>	<b>205,045</b>	<b>4,346</b>	<b>1,167</b>	<b>1,062</b>	<b>14</b>	<b>211,634</b>

31 December 2010	USD Dollar	Euro	GBP	JPY	CHF	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
<b>Total foreign currency assets</b>	<b>463,945</b>	<b>164,934</b>	<b>3,982</b>	<b>1,251</b>	<b>-</b>	<b>634,112</b>

Reinsurer payables (*)	15,938	-	-	1,789	10	17,737
Agency guarantees (**)	132,482	13,499	-	-	-	145,981
<b>Total foreign currency liabilities</b>	<b>148,420</b>	<b>13,499</b>	<b>-</b>	<b>1,789</b>	<b>10</b>	<b>163,718</b>

(\*) 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

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 13 Derivative financial instruments

As at 31 December 2011, the detailed information about the Company's current derivative financial instruments is presented in 11 - *Financial assets*. At the reporting period, derivative financial instruments of the Company consist of TurkDEX-ISE 30 Index future contracts with the maturity of 29 February 2012.

#### 14 Cash and cash equivalents

As at 31 December 2011 and 2010, cash and cash equivalents are as follows:

	31 December 2011		31 December 2010	
	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	12,206	17,198	17,198	9,012
Bank deposits	52,803,532	76,694,447	76,694,447	78,744,899
Other cash and cash equivalents (*)	67,036,981	52,404,769	52,404,769	42,834,036
Cheques given and payment orders	(63,794)	(47,274)	(47,274)	(44,109)
<b>Cash and cash equivalents in the balance sheet</b>	<b>119,788,925</b>	<b>129,069,140</b>	<b>129,069,140</b>	<b>121,543,838</b>
Interest accruals on bank deposits	(323,655)	(517,604)	(517,604)	(356,654)
Time deposits with maturities longer than 3 months	-	-	-	(4,001,056)
<b>Cash and cash equivalents presented in the statement of cash flow</b>	<b>119,465,270</b>	<b>128,551,536</b>	<b>128,551,536</b>	<b>117,186,128</b>

(\*) Other cash and cash equivalents include credit card receivables from banks in relation to premium payments of policyholders.

As at 31 December 2011 and 2010, bank deposits are further analyzed as follows:

	31 December 2011	31 December 2010
Foreign currency denominated bank deposits		
- time deposits	-	1,544,600
- demand deposits	523,616	722,722
Bank deposits in Turkish Lira		
- time deposits	48,161,167	71,231,364
- demand deposits	4,118,749	3,195,761
<b>Cash at banks</b>	<b>52,803,532</b>	<b>76,694,447</b>

As at 31 December 2011, TRY time deposits have a maximum maturity of 2 months and their simple interest rates vary between 7.00% and 12.25% simple interest rate. The Company has no foreign currency denominated bank deposits.

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.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 15 Equity

##### Paid in Capital

As at 31 December 2011, the authorized nominal share capital of the Company is TRY 300,000,000 and the share capital of the Company consists of 30,000,000,000 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 29,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Incorporation, 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 at 31 December 2011, the Company's registered capital is TRY 450,000,000.

As at 31 December 2011, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

##### Profit on Assets Sale That will be Transferred to Capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. Tax exempt gain from participation shares and real estate sale in 2010 amounting to TRY 40,605 is reclassified as profit on assets sale that will be transferred to capital and is used in capital increase as at 31 December 2011.

##### 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 2011	31 December 2010
<b>Legal reserves at the beginning of the year</b>	<b>53,804,048</b>	<b>45,557,059</b>
Transfer from profit	6,625,956	8,246,989
<b>Legal reserves at the end of the year</b>	<b>60,430,004</b>	<b>53,804,048</b>

##### Extraordinary reserves

The movement of extraordinary reserves is presented below:

	31 December 2011	31 December 2010
<b>Extraordinary reserves at the beginning of the year</b>	<b>13,367,976</b>	<b>4,821,283</b>
Transfer from profit	17,851,800	8,546,693
Capital increase	(30,000,000)	-
<b>Extraordinary reserves at the end of the year</b>	<b>1,219,776</b>	<b>13,367,976</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### Statutory reserves

The movement of statutory reserves is presented below:

	31 December 2011	31 December 2010
<b>Statutory reserves at the beginning of the year</b>	<b>23,652,466</b>	<b>17,783,838</b>
Transfer from profit	5,362,677	5,868,628
Capital increase	(19,919,900)	-
<b>Statutory reserves at the end of the year</b>	<b>9,095,243</b>	<b>23,652,466</b>

#### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	31 December 2011	31 December 2010
<b>Fair value reserves at the beginning of the year</b>	<b>33,888,379</b>	<b>27,685,918</b>
<i>Changes during the year:</i>		
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	486,463	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	(110,113,410)	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	104,607,740	(74,292,701)
Change in unrealized gains and losses from available for sale financial assets, company's own portfolio	(23,623,912)	12,082,109
Deferred and corporate tax effect	3,660,330	(1,811,858)
<i>Disposals during the year:</i>		
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	(3,892,649)	(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	3,698,017	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	(1,249,643)	(7,096,851)
Deferred and corporate tax effect	288,855	1,774,464
<i>Amounts transferred to income statement due to bonus shares:</i>	(17,356,612)	(920,611)
<i>Fair value changes in investments in associates</i>	(215,762)	30,806
<b>Fair value reserves at the end of the year</b>	<b>(9,822,204)</b>	<b>33,888,379</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 16 Other reserves and equity component of discretionary participation

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	31 December 2011	31 December 2010
Temporary differences arising from revaluation of financial assets	(12,001,742)	16,399,833
Permanent differences arising from revaluation of financial assets	(220,810)	20,768,513
Deferred tax effect	2,400,348	(3,279,967)
<b>Total</b>	<b>(9,822,204)</b>	<b>33,888,379</b>

#### 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 2011		31 December 2010	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
<i>Life:</i>				
Financial assets (*)	1,966,664,506	2,099,689,594	1,865,970,949	2,129,944,090
<b>Total</b>	<b>1,966,664,506</b>	<b>2,099,689,594</b>	<b>1,865,970,949</b>	<b>2,129,944,090</b>
<i>Non-life:</i>				
Financial assets (*)	469,063	1,525,086	4,389,328	1,376,203
<b>Total</b>	<b>469,063</b>	<b>1,525,086</b>	<b>4,389,328</b>	<b>1,376,203</b>
<b>Total</b>	<b>1,967,133,569</b>	<b>2,101,214,680</b>	<b>1,870,360,277</b>	<b>2,131,320,293</b>

(\*) As at 31 December 2011 and 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 2011 (31 December 2010), minimum guarantee amount of 30 June 2011 is shown as necessary guarantee amount; since, minimum guarantee amount as at 31 December 2011 (31 December 2010) is based on 30 June calculations.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

As at 31 December 2011, TRY 1,730,347,190 of government bonds (31 December 2010: TRY 1,882,698,843) and TRY 326,114,938 of Eurobonds (31 December 2010: TRY 248,621,450) and TRY 44,752,552 (31 December 2010: None) of investment funds are placed as guarantee for the life and non-life branches.

#### 17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	31 December 2011 (*)		31 December 2010 (*)	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,179,924	385,048,204	968,657	530,506,521
Disposals during the period	(944,360)	(336,893,828)	(902,534)	(394,582,482)
Outstanding	<b>1,321,869</b>	<b>2,025,413,559</b>	<b>1,086,305</b>	<b>1,977,259,183</b>

(\*) The above table includes 83 of reactivated life insurance policies (31 December 2010: 1,234) and their corresponding mathematical reserves.

As explained in Note 2 - *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 7,125,182 (31 December 2010: TRY 112,598,382) is recognized under the life mathematical provisions. As at the reporting date, there is no future withholding tax levied to income obtained from financial investments which are classified under the Company's assets recognized under the life mathematical provisions (31 December 2010: TRY 4,197,567). These balances are not included in the above table.

TRY 5,255,492 (31 December 2010: 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 2011	31 December 2010
Guarantees given to death by accident	1,227,901,834	798,234,913
Guarantees given to disability by accident	1,226,711,834	798,134,913
<b>Total</b>	<b>2,454,613,668</b>	<b>1,596,369,826</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 17.4 Pension investment funds established by the Company and their unit prices:

As at 31 December 2011 and 2010, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2011 Unit price	31 December 2010 Unit price
AH1 Bond Fund	0.037933	0.036770
AH2 Liquid Fund	0.026995	0.025547
AH3 Eurobond Dollar Fund	0.023960	0.019936
AH4 Eurobond Euro Fund	0.021590	0.018774
AH5 Equity Fund	0.048259	0.067288
AH6 International Mixed Fund	0.018946	0.017282
AH8 Conservative Fund	0.031183	0.029709
AH9 Balanced Fund	0.036654	0.041024
AH0 Aggressive Fund	0.048337	0.063049
AGE Alternative Gain Fund	0.009862	0.010218
ABE BRIC Plus Fund	0.009917	0.011216
AHL Dynamic Flexible Fund (*)	0.009857	-
AHC Mixed Fund (TRY) (*)	0.010167	-
AG1 Group Bond Fund	0.033976	0.032347
AG2 Group Eurobond Fund	0.018034	0.015145
AG3 Group Equity Fund	0.030131	0.041046
AG4 Group Flexible Fund	0.029244	0.027440
HS1 Bond - Bill Fund	0.023566	0.022963
AHB White Equity Fund	0.018158	0.022594
ATK Orange Bond - Bill Fund	0.017953	0.017408
ATE Orange Balanced Fund	0.016725	0.017862

(\*) AHL Dynamic Flexible Fund and AHC Mixes Fund (TRY) have been registered in Capital Markets Board as of 15 November 2011 but initial public offering has not been executed yet.

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 2011 and 2010:

	31 December 2011		31 December 2010	
	Participation Certificates in Circulation		Participation Certificates in Circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	29,778,886,837.42	1,129,602,514.40	27,679,333,589.65	1,017,769,096.09
AH2 Liquid Fund	3,369,680,287.92	90,964,519.37	2,579,462,040.52	65,897,516.75
AH3 Eurobond Dollar Fund	3,721,243,863.36	89,161,002.97	2,733,222,113.08	54,489,516.04
AH4 Eurobond Euro Fund	3,276,092,065.55	70,730,827.70	2,549,902,606.69	47,871,871.54
AH5 Equity Fund	2,414,766,751.93	116,534,228.68	1,775,358,800.49	119,460,342.97
AH6 International Mixed Fund	610,260,139.55	11,561,988.60	332,624,247.10	5,748,412.24
AH8 Conservative Fund	2,629,563,148.86	81,997,667.67	2,305,239,236.06	68,486,352.46
AH9 Balanced Fund	17,731,117,922.47	649,916,396.33	14,728,475,608.56	604,220,983.37
AH0 Aggressive Fund	6,779,621,857.29	327,706,581.72	4,694,946,079.01	296,011,655.33
AGE Alternative Gain Fund	1,741,826,776.49	17,177,895.67	40,036,050.76	409,088.37
ABE BRIC Plus Fund	2,641,331,429.27	26,194,083.78	213,456,947.81	2,394,133.12
AHL Dynamic Flexible Fund (*)	100,000,000.00	985,700.00	-	-
AHC Mixed Fund (TRY) (*)	100,000,000.00	1,016,700.00	-	-
AG1 Group Bond Fund	2,458,454,112.41	83,528,436.92	1,814,736,792.47	58,701,291.03
AG2 Group Eurobond Fund	265,177,490.77	4,782,210.87	185,168,965.97	2,804,383.99
AG3 Group Equity Fund	577,287,261.24	17,394,242.47	293,424,718.17	12,043,910.98
AG4 Group Flexible Fund	1,661,573,450.51	48,591,053.99	1,480,179,773.42	40,616,132.98
HS1 Bond - Bill Fund	8,941,704,710.90	210,720,213.22	7,663,308,793.44	175,972,559.82
AHB White Equity Fund	1,271,259,195.45	23,083,524.47	705,396,557.95	15,937,729.83
ATK Orange Bond - Bill Fund	1,015,253,343.56	18,226,843.28	1,107,668,639.86	19,282,295.68
ATE Orange Balanced Fund	609,467,063.59	10,193,336.64	663,003,411.70	11,842,566.94
<b>Total</b>		<b>3,030,069,968.75</b>		<b>2,619,959,839.53</b>

(\*) AHL Dynamic Flexible Fund and AHC Mixes Fund (TRY) have been registered in Capital Markets Board as of 15 November 2011 but initial public offering has not been executed yet.

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

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

	1 January - 31 December 2011			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	121,926	58,099	496,524	2,366,160,479
Group	34,518	13,389	144,165	661,889,512
<b>Total</b>	<b>156,444</b>	<b>71,488</b>	<b>640,689</b>	<b>3,028,049,991</b>

	1 January - 31 December 2010			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	105,827	53,244	432,697	2,085,111,887
Group	39,269	12,357	123,036	529,424,802
<b>Total</b>	<b>145,096</b>	<b>65,601</b>	<b>555,733</b>	<b>2,614,536,689</b>

**Additions:** The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period. For the data calculated for 31 December 2011, 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 period and their values at their expiration dates.

**Outstanding:** The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-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:

	1 January - 31 December 2011			1 January - 31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	121,926	230,846,436	226,035,513	105,827	145,825,993	142,101,892
Group	34,518	47,544,588	47,179,656	39,269	22,704,198	22,264,037
<b>Total</b>	<b>156,444</b>	<b>278,391,024</b>	<b>273,215,169</b>	<b>145,096</b>	<b>168,530,191</b>	<b>164,365,929</b>

Contracts become effective in the current period and the total contracts become effective and ceased in the same period 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 period numbers and balances.

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### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 period:

	31 December 2011			31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	4,033	41,296,381	41,296,381	4,202	43,975,369	43,975,369
Group	1,091	19,915,297	19,915,297	410	4,820,335	4,820,335
<b>Total</b>	<b>5,124</b>	<b>61,211,678</b>	<b>61,211,678</b>	<b>4,612</b>	<b>48,795,704</b>	<b>48,795,704</b>

#### 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 period:

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 period.

#### 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:

	1 January - 31 December 2011			1 January - 31 December 2010		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	58,099	274,093,655	230,475,599	53,244	232,889,288	192,734,041
Group	13,389	52,180,674	43,765,841	12,357	38,483,285	32,042,219
<b>Total</b>	<b>71,488</b>	<b>326,274,329</b>	<b>274,241,440</b>	<b>65,601</b>	<b>271,372,573</b>	<b>224,776,260</b>

Number of contracts indicates the number of disposals in the related period.

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 period:

	31 December 2011		31 December 2010	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	24,101	123,654,547	289,558	173,236,443
Group	1,155,740	84,620,333	677,865	27,700,095
<b>Total (*)</b>	<b>1,179,841</b>	<b>208,274,880</b>	<b>967,423</b>	<b>200,936,538</b>

(\*) 83 of reactivated contracts are not included in the current year additions (31 December 2010: 1,234).

#### 17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	1 January - 31 December 2011		1 January - 31 December 2010	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	223,603	323,010,198	286,536	389,967,470
Group	720,757	13,883,630	615,998	4,615,012
<b>Total</b>	<b>944,360</b>	<b>336,893,828</b>	<b>902,534</b>	<b>394,582,482</b>

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 17.14 Profit share distribution rate of life insurances as of 31 December 2011 and 2010

	31 December 2011 %	31 December 2010 %
<b>TRY</b>		
Life insurance	8.83	11.35
Income insurance	8.82	11.32
<b>USD</b>		
Life insurance	7.57	8.37
Income insurance	7.57	8.37
<b>EURO</b>		
Life insurance	6.29	6.28
Income insurance	6.29	6.27
<b>GBP</b>		
Life insurance	9.73	9.56
Income insurance	9.73	9.50

#### 17.15 Information on insurance contract balances in the financial statements

	31 December 2011	31 December 2010
Reserve for unearned premiums, gross	15,390,486	9,372,409
Reserve for unearned premiums, ceded (Note 10)	(1,557,276)	(1,290,764)
<b>Reserves for unearned premiums, net</b>	<b>13,833,210</b>	<b>8,081,645</b>
Provision for outstanding claims, gross	50,605,404	55,733,381
Provision for outstanding claims, ceded (Note 10)	(990,491)	(589,625)
<b>Provision for outstanding claims, net</b>	<b>49,614,913</b>	<b>55,143,756</b>
Life mathematical provisions, gross <sup>(*)</sup>	2,032,538,741	2,094,055,132
Life mathematical provisions, ceded (Note 10)	(5,255,492)	(3,294,984)
<b>Life mathematical provisions, net</b>	<b>2,027,283,249</b>	<b>2,090,760,148</b>
<b>Equalization provision, net</b>	<b>2,194,716</b>	<b>1,220,317</b>
<b>Total insurance technical provisions, net</b>	<b>2,092,926,088</b>	<b>2,155,205,866</b>

(\*) As at 31 December 2011, life mathematical provisions amounting to TRY 1,864,137,235 (31 December 2010: TRY 1,934,860,059 is medium and long term and TRY 168,401,506 (31 December 2010: TRY 159,195,073) is short term.

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
New policies issued	93,593,703	127,077,520
Activated from reductions	1,051,335	2,771,535
Activated from cancellations	1,871,457	34,796,742
Contracts with increased capital	235,135,493	242,363,983
<b>Total increase in the portfolio</b>	<b>331,651,988</b>	<b>407,009,780</b>

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
Terminations and cancellations (-)	(1,828,073)	(4,425,368)
Transformed to contracts without charge (-)	21,582,223	(24,936,311)
Purchases (-)	(183,800,930)	(137,498,820)
Ceased with risk formed (-)	(2,828,038)	(2,374,426)
Expirations (-)	(134,553,157)	(150,393,520)
<b>Total decrease in the portfolio</b>	<b>(301,427,975)</b>	<b>(319,628,445)</b>

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January - 31 December 2011 and 1 January - 31 December 2010 are as follows:

Mathematical provisions	31 December 2011	31 December 2010
New contracts	23,371,802	10,013,755
Activated from reductions	20	4,650
Activated from cancellations	279,866	656,518
Insurances had capital increase	1,684,592	984,296
<b>Total increase in the portfolio</b>	<b>25,336,280</b>	<b>11,659,219</b>

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the 1 January - 31 December 2011 and 1 January - 31 December 2010 periods:

Mathematical provisions	31 December 2011	31 December 2010
Terminations and cancellations (-)	(256)	(6,727)
Transformed to contracts without charge (-)	319,637	(910,483)
Insurances had capital decrease (-)	(6,130,326)	-
Purchases (-)	(3,555,817)	(3,291,855)
Ceased with risk formed (-)	(91,305)	(29,470)
Expirations (-)	(4,105,926)	(1,286,960)
<b>Total decrease in the portfolio</b>	<b>(13,563,993)</b>	<b>(5,525,495)</b>

#### 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*.

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 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	2006	2007	2008	2009	2010	2011	Total
Claim year	9,843,781	7,656,449	7,662,547	6,212,268	10,872,103	8,530,466	50,777,614
1 year later	1,141,871	1,821,855	3,634,320	4,123,753	4,638,889	-	15,360,688
2 years later	237,776	274,031	273,370	286,233	-	-	1,071,410
3 years later	80,598	59,645	14,037	-	-	-	154,280
4 years later	31,458	25,409	-	-	-	-	56,867
5 years later	-	-	-	-	-	-	-
6 years later	-	-	-	-	-	-	-
<b>Cumulative payments up to date</b>	<b>11,335,484</b>	<b>9,837,389</b>	<b>11,584,274</b>	<b>10,622,254</b>	<b>15,510,992</b>	<b>8,530,466</b>	<b>67,420,859</b>
<b>Payments for the year ended 31 December 2011 (*)</b>	<b>-</b>	<b>25,409</b>	<b>14,037</b>	<b>286,233</b>	<b>4,638,889</b>	<b>8,530,466</b>	<b>13,495,034</b>

(\*) 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*.

#### 18 Investment contracts

None.

#### 19 Trade and other payables and deferred income

	31 December 2011	31 December 2010
Payables from insurance operations	4,477,923	2,751,562
Cash deposited by insurance and reinsurance companies	686,569	543,884
Payables from pension activities	3,093,269,662	2,670,878,516
<b>Total payables from main operations</b>	<b>3,098,434,154</b>	<b>2,674,173,962</b>
Due to shareholders	903	2,674
Payables to other related parties	1,990	1,411
<b>Total payables to related parties</b>	<b>2,893</b>	<b>4,085</b>
Guarantees and deposits received	213,442	201,082
Other payables	7,347,047	5,821,671
<b>Total other payables</b>	<b>7,560,489</b>	<b>6,022,753</b>
Deferred income	1,511,850	1,160,520
Expense accruals	63,056	172,274
<b>Total deferred income and expense accruals</b>	<b>1,574,906</b>	<b>1,332,794</b>
<b>Total</b>	<b>3,107,572,442</b>	<b>2,681,533,594</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

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#### 20 Financial liabilities

The Company has no financial liabilities as at the reporting date (31 December 2010: None).

#### 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 2011	31 December 2010
Difference in valuation of financial assets	(7,693,194)	15,767,522
Provision for employee termination benefits	(4,828,646)	(3,566,916)
Impairment loss on financial assets	(3,290,693)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(3,034,297)	(3,171,528)
Equalization reserves	(2,194,716)	(1,220,317)
Provision for unused vacation pay liability	(1,663,719)	(735,708)
<b>Total</b>	<b>(22,705,265)</b>	<b>7,073,053</b>

Deferred tax (assets)/liabilities:	31 December 2011	31 December 2010
Difference in valuation of financial assets	(1,538,639)	3,153,504
Provision for employee termination benefits	(965,729)	(713,383)
Impairment loss on financial assets	(658,139)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(606,859)	(634,306)
Equalization reserves	(438,943)	(244,063)
Provision for unused vacation pay liability	(332,744)	(147,142)
<b>Total</b>	<b>(4,541,053)</b>	<b>1,414,610</b>

Movement of deferred tax assets/liabilities as at 31 December 2011 and 2010 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2011	31 December 2010
Opening balance at 1 January	1,414,610	(900,361)
Recognised in profit or loss	(275,348)	1,946,014
Recognised in equity	(5,680,315)	368,957
<b>Closing balance at 31 December</b>	<b>(4,541,053)</b>	<b>1,414,610</b>

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## Notes to the Consolidated Financial Statements

### As at 31 December 2011

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#### 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 2,731.85 as at 31 December 2011 (31 December 2010: TRY 2,517.01).

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 2011, 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 reporting periods have been calculated assuming an annual inflation rate of 5.0% and a discount rate of 9.20% - 11.55%, resulting in a real discount rate of between 2.58% - 4.50% (31 December 2010: 5.1%, 10% and 4.66%, 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 period is presented below:

	31 December 2011	31 December 2010
Provision as at 1 January	3,566,916	3,387,351
Interest cost	356,692	157,925
Service cost	365,223	1,000,173
Payments made during the year	(854,557)	(1,021,004)
Actuarial gain and losses	1,394,372	42,471
<b>Provision as at 31 December</b>	<b>4,828,646</b>	<b>3,566,916</b>

#### 23 Other liabilities and provisions

As at 31 December 2011 and 2010; the details of the provisions for other risks are as follows:

	31 December 2011	31 December 2010
Provision for unused vacation pay liability	1,663,719	735,708
Provision for commissions to sales personnel	525,000	415,000
Provision for litigations	93,070	-
Provision for commissions and expenses	56,974	-
<b>Provisions for costs</b>	<b>2,338,763</b>	<b>1,150,708</b>
<b>Provision for employee termination benefits</b>	<b>4,828,646</b>	<b>3,566,916</b>
<b>Total provisions for other risks</b>	<b>7,167,409</b>	<b>4,717,624</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 24 Net insurance premium revenue

	31 December 2011	31 December 2010
Non-life	642,333	164,340
Life	337,208,124	350,122,861
<b>Total</b>	<b>337,850,457</b>	<b>350,287,201</b>

#### 25 Fee revenues

The details of fee revenues for the year ended 31 December 2011 and 2010 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	31 December 2011	31 December 2010
Fund management income	70,109,006	55,617,732
Administrative cost deductions	29,083,449	23,501,810
Entrance fee	14,256,976	15,711,175
Administrative cost deductions in the form of cessation	278,560	231,133
Other technical income	104,871	94,256
Increase in value of capital allowances given	16,700	324
<b>Total</b>	<b>113,849,562</b>	<b>95,156,430</b>

#### 26 Investment income

	31 December 2011	31 December 2010
<i>Financial assets held-for-trading:</i>		
Interest income	621,693	984,620
Dividend income	88,809	258,282
Gain on sale	1,088,699	6,053,267
Valuation gain	(7,819,717)	3,644,347
<i>Financial assets available- for-sale:</i>		
Interest income	110,936,211	115,709,134
Dividend income	2,245,738	2,141,039
Gain on sale	6,088,002	21,908,475
Valuation gain (internal rate of return gain)	131,629,420	92,919,012
<i>Income from associates:</i>	1,878,677	2,197,214
<i>Investment properties:</i>		
Rent income	2,590,872	2,335,332
<i>Other income: (*)</i>	29,557,315	18,763,342
<b>Total (**)</b>	<b>278,905,719 (**)</b>	<b>266,914,064 (**)</b>

(\*) Other income includes income from bonus shares through capital increases in associates from profit or capital reserves, interest income from time deposits, income from derivative transactions, foreign exchange gains and insurers' money not requested from the Company.

(\*\*) TRY 55,473,332 (31 December 2010: TRY 71,422,376) of investment income obtained from the Company's own portfolio and TRY 223,432,387 (31 December 2010: TRY 195,491,688) of investment income obtained from policyholders' portfolio.

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	31 December 2011	31 December 2010
<i>Available-for-sale financial assets:</i>		
Fair value differences recognized in equity	(12,376,752)	31,247,163
Fair value differences recognized in profit/loss	11,205,542	12,427,034
<b>Total</b>	<b>(1,171,210)</b>	<b>43,674,197</b>

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

Net loss from assets held at fair value through profit or loss recognized in income statement as at 31 December 2011 is TRY 6,005,171 (31 December 2010: 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 - *Operating expenses* below.

#### 32 Operating expenses

For the year ended 31 December 2011 and 2010, the details of operating expenses are as follows:

	31 December 2011	31 December 2010
Production commission expenses	(62,277,817)	(44,155,317)
Employee benefit expenses	(49,529,640)	(43,833,904)
Administration expenses	(16,293,371)	(14,023,175)
Marketing and sales expenses	(15,251,450)	(11,697,482)
Rent expenses	(5,561,687)	(4,872,001)
Bank fees	(2,105,327)	(2,156,267)
Outsourced benefits and services	(2,168,935)	(1,285,933)
Reinsurance commission income	1,580,145	1,059,758
Other expenses	(1,664,911)	(2,735,841)
<b>Total</b>	<b>(153,272,993)</b>	<b>(123,700,162)</b>

#### 33 Employee benefit expenses

	31 December 2011	31 December 2010
Wages and salaries	49,529,640	43,833,904
Employee termination benefits	1,261,730	179,565
Provision for unused vacation	928,011	161,952
<b>Total</b>	<b>51,719,381</b>	<b>44,175,421</b>

#### 34 Financial costs

The Company's has no finance expense in the current period (31 December 2010: TRY 150).

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 35 Income tax expense

	31 December 2011	31 December 2010
<i>Corporate tax liabilities:</i>		
Corporate tax provision	13,415,000	15,435,000
Less: Corporation taxes paid in advances during the period	(10,887,846)	(15,139,000)
<b>Total</b>	<b>2,527,154</b>	<b>296,000</b>

*Total tax expense recognized in profit or loss*

	31 December 2011	31 December 2010
Current tax expense	13,415,000	15,435,000
Deferred tax expense/(income)	(275,348)	1,946,014
<b>Total</b>	<b>13,139,652</b>	<b>17,381,014</b>

*Total tax expense recognized in equity*

	31 December 2011	31 December 2010
Change in fair value of available for sale financial assets	(2,400,348)	3,279,967
<b>Total deferred tax expense recognized in equity</b>	<b>(2,400,348)</b>	<b>3,279,967</b>

*Reconciliation of the Company's taxation for the year ended 31 December 2011 and 2010 are as follows:*

	31 December 2011		31 December 2010	
	76,060,452	Tax rate (%)	88,220,213	Tax rate (%)
<b>Profit before tax</b>				
Taxes on income per statutory tax rate	(15,212,090)	(20.00)	(17,644,043)	(20.00)
Disallowable expenses	(124,499)	(0.16)	(702,940)	(0.80)
Effect of allowances	2,196,937	2.89	965,969	1.09
<b>Total tax expense recognized in profit or loss</b>	<b>(13,139,652)</b>	<b>(17.27)</b>	<b>(17,381,014)</b>	<b>(19.71)</b>

#### 36 Net foreign exchange gains

	31 December 2011	31 December 2010
Foreign exchange gains	3,327,777	994,669
Foreign exchange losses	(646,502)	(856,035)
<b>Total</b>	<b>2,681,275</b>	<b>138,634</b>

#### 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 2011	31 December 2010
<i>For a share having TRKr (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares (*)	30,000,000,000	30,000,000,000
Net profit for the period	62,920,800	72,785,213
Earnings per share (for 100 shares)	0.20974	0.24262

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

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 38 Dividends per share

The Company's dividend distribution in 2011 from the profit of 2010 is presented below.

	Group	Total Cash Dividend Amount (TRY)	Cash dividend corresponding to a share having TRY 1 of nominal value	
			Amount (TRY)	Rate (%)
	A	160,000	0.160000	16.0000
	B	39,840,000	0.160000	16.0000
<b>Gross</b>	<b>Total</b>	40,000,000		
	A	136,000	0.136000	13.6000
	B	33,864,000	0.136000	13.6000
<b>Net</b>	<b>Total</b>	34,000,000		

The Company's dividend distribution in 2011 from the profit of 2010 is TRY 40,000,000. Other than that, a dividend of TRY 1,658,560 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 financial statements.

As at 31 December 2011, there are 104 ongoing law suit filed against the Company and total amount of these suits are TRY 1,890,146 TRY 3,233,569 (31 December 2010: 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 46 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 1,203,708. Subsequent to the reporting period, 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 2011	31 December 2010
Guarantees and commitments	1,035,151	469,281
Capital commitments (*)	2,848,175	-
<b>Guarantees and commitments</b>	<b>3,883,326</b>	<b>469,281</b>

(\*) Provided for Bayek Tedavi Hizmetleri ve İşletmeciliği AŞ.

The Company does not have finance lease liabilities as at the reporting period (31 December 2010: None).

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(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 AŞ 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 period presented in the recent financial statements of such participations; net profit/loss for the period and period 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 (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	11,937,687	20	31 December 2011	11,748,424	9,393,386	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 3,000,000.

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

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

g. Related party disclosures

The related party balances as at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Türkiye İş Bankası AŞ - receivables from credit card collections	60,398,105	46,766,891
<b>Other cash and cash equivalents</b>	<b>60,398,105</b>	<b>46,766,891</b>
Türkiye İş Bankası AŞ - bank deposits	34,060,110	62,673,024
<b>Cash at banks</b>	<b>34,060,110</b>	<b>62,673,024</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	118,775	7,891
<b>Receivables from main operations</b>	<b>118,775</b>	<b>7,891</b>
Türkiye İş Bankası AŞ - commission payables	2,695,702	1,739,234
Milli Reasürans TAŞ - premium payables	309,789	76,979
<b>Payable from main operations</b>	<b>3,005,491</b>	<b>1,816,213</b>
Anadolu Anonim Türk Sigorta Şirketi - premium payables	903	2,674
<b>Payables to shareholders</b>	<b>903</b>	<b>2,674</b>
İş Portföy Yönetimi AŞ	2,656,361	933,993
İş Merkezleri Yönetim ve İşletim AŞ	79,073	64,112
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim AŞ	58,058	41,483
Bayek Tedavi Hizmetleri ve İşletmeciliği A.Ş.	5,309	-
İş Koray Turizm Ormancılık Madencilik İnşaat Taahhüt ve Ticaret AŞ	572	376
<b>Other payables</b>	<b>2,799,373</b>	<b>1,039,964</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

In the current period, individual pension employer contribution has been collected amounting to TRY 6,351,804 (31 December 2010: TRY 4,708,665) and life insurance employer premium has been accrued amounting to TRY 164,810 (31 December 2010: TRY 259,505) from related parties. The transactions with related parties during the year ended 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Milli Reasürans TAŞ - premiums written, ceded	965,332	664,308
<b>Premiums written, ceded</b>	<b>965,332</b>	<b>664,308</b>
Milli Reasürans TAŞ - commission income from reinsurers	248,363	116,776
<b>Commission income from reinsurers</b>	<b>248,363</b>	<b>116,776</b>
Türkiye İş Bankası AŞ - interest income from deposits	850,132	2,160,580
<b>Investment income</b>	<b>850,132</b>	<b>2,160,580</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	166,740	157,500
İş Portföy Yönetimi AŞ - portfolio management fee	51,453	144,150
İş Yatırım AŞ - portfolio management fee	47,243	90,573
İş Portföy Yönetimi AŞ - secondary market operations of marketable securities	32,633	88,737
İş Yatırım - secondary market operations of marketable securities	26,595	56,344
<b>Investment expense</b>	<b>324,664</b>	<b>537,304</b>
Türkiye İş Bankası AŞ - commission of policy production	26,692,588	15,964,133
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	9,875,077	9,634,293
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	3,085,452	2,716,049
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	2,681,694	2,507,846
Anadolu Anonim Türk Sigorta Şirketi - premium paid	1,125,723	908,839
Türkiye İş Bankası AŞ - commission of premium collection and banking services	866,563	1,126,192
Türkiye İş Bankası AŞ - rent expense	256,362	233,892
Anadolu Anonim Türk Sigorta Şirketi - rent expense	147,446	141,099
<b>Other expenses</b>	<b>44,730,905</b>	<b>33,232,343</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

#### 46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 – *events after the reporting period*.

#### 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:

<b>Current Assets (Cash and Cash Equivalent Assets)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Credit card receivables	67,036,981	52,404,769
<b>Total</b>	<b>67,036,981</b>	<b>52,404,769</b>
<b>Current Assets (Other Receivables)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Securities reconciliation account	6,940,044	5,693,029
Other	684,803	591,634
<b>Total</b>	<b>7,624,847</b>	<b>6,284,663</b>
<b>Short-term Liabilities (Other Miscellaneous Payables)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Suspense accounts	1,062,271	1,439,471
Securities reconciliation account	3,609,055	2,163,535
Payable to suppliers	2,290,582	1,833,526
Dividends to be paid	859	859
Other	384,280	384,280
<b>Total</b>	<b>7,347,047</b>	<b>5,821,671</b>

# Anadolu Hayat Emeklilik

## Notes to the Consolidated Financial Statements

### As at 31 December 2011

(Currency: Turkish Lira (TRY))

**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.

**For the year ended 31 December 2011 and 2010, details of discount and provision expenses are as follows:**

	31 December 2011	31 December 2010
Provision for impairment loss on financial assets	(3,290,693)	-
Provision for employee termination benefits	(1,261,730)	(179,565)
Unused vacation pay liability	(928,011)	(161,952)
Other provision expenses	(166,074)	40,800
Provisions no longer required	-	487,406
Provision expense for receivables from main operations	-	13,850
<b>Provision expense</b>	<b>(5,646,508)</b>	<b>200,539</b>

# 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](http://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 2012 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.  
Rüzgarlı Bahçe Mah. Kavak Sok. No:3  
Kavacık-Beykoz 34805 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 2011

As of 31 December 2011, the company's nominal capital amounts to TRY 300,000,000, consisting of fully-paid 30,000,000,000 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 2.66 and the highest was TRY 4.68. The average trading price for the whole year was TRY 3.64. Share price quarterly lows and highs are presented below.

TL	HIGHEST(*)	LOWEST(*)
01.01.2011-31.03.2011	4.68	3.47
01.04.2011-30.06.2011	4.68	3.64
01.07.2011-30.09.2011	4.07	2.68
01.10.2011-31.12.2011	3.18	2.66

(\*) Reuters closing prices.

# Directory

## Anadolu Hayat Emeklilik A.Ş.

for correspondence:  
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

Odunluk Mahallesi, Akademi Caddesi,  
No: 10/B, Zeno İş Merkezi A Blok,  
Kat: 1 No: 4-5 16130 Nilüfer-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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