

TURKISH CATASTROPHE INSURANCE POOL
COMPULSORY EARTHQUAKE INSURANCE
ANNUAL REPORT 2010





TABLE OF CONTENTS

A MESSAGE FROM THE CHAIRMAN 2

A MESSAGE FROM THE GENERAL MANAGER OF THE POOL MANAGEMENT COMPANY EUREKO INSURANCE..... 4

1 GENERAL INFORMATION 6

1.1 Board of Directors 8

1.2 Pool Management Company..... 8

1.3 Funds Management 8

1.4 Reinsurance Protection..... 9

1.5 Information Systems and Data Management..... 10

 1.5.1 Network Management and Service Levels..... 10

 1.5.2 TCIP Information System Monitoring and Tracking Services 10

 1.5.3 Security Architecture and Policies 10

 1.5.4 Emergency Center Management..... 10

 1.5.5 Data Security and Back-up 11

 1.5.6 Software Development Projects..... 11

1.6 Matters regarding Regulations and Practices 11

 1.6.1 Change in Rates 11

 1.6.2 Group Policies and Renewal Discounting 12

 1.6.3 Projects Developed by the Pool 12

1.7 Damage Assessment and Claim Payments..... 13

1.8 Promotion and Raising Awareness in Society 14



1.8.1	Campaign Period.....	14
1.8.2	August 17 th Promotion and Public Awareness Raising Projects	14
1.8.3	Local Newspaper Advertisements	14
1.8.4	TV Program.....	14
1.8.5	Symposia and Conferences.....	14
1.8.6	Monthly Magazines	15
1.8.7	2 nd Short Film Contest	15
1.8.8	Northern Anatolia and Western Anatolia Seismic Belt Truck.....	15

2 STATISTICS.....17

2.1	Volume of Policies Created Annually	18
2.2	Number of Policies Underwritten by Insurance Companies.....	19
2.3	Monthly Policy Creation Volumes.....	20
2.4	Insurance Rates of Regions	21
2.5	Insurance Rates of Cities.....	22
2.6	Dispersion of Policies based on Regions.....	25
2.7	Dispersion of Policies based on Danger Zones	26
2.8	Dispersion of Policies based on Building Construction Date.....	27
2.9	Dispersion of Policies based on Building Floor Space.....	28

3 AUDIT REPORT.....29

A MESSAGE FROM THE CHAIRMAN



Here in Turkey, the majority of the country lies above active fault lines. Earthquakes are a longstanding reality of our lives and continue to be the most frequently occurring natural disasters we face. In addition to the small and medium scale quakes in Turkey this year, the earthquakes that shook different regions throughout the world once again reminded us of the measures we need to take in view of this risk.

While the memories of the catastrophe from the 7.0 moment magnitude scale (MMS) earthquake in Haiti in January 2010 were still fresh, both the 8.8 MMS Chile quake in February and the 6.3 MMS New Zealand quake in September also caused serious humanitarian and financial damage. One of the most important lessons we can learn from these quakes and the medium scale quake in Elazığ on March 8, 2010, is that reorganizing economic and social life after an earthquake is just as important as surviving the disaster itself. However, the quake in Elazığ affected a mostly rural region and earthquake insurance exposure was relatively low in this area. Turkish Catastrophe Insurance Pool's (TCIP) role in reimbursing financial loss in this region was very limited.

It is possible to reduce loss of life and property due to earthquakes through several measures that can be taken prior to an earthquake and through increasing the



quality of structures. Moreover, as an earthquake-prone country, we must be ready for any partial damage that earthquakes can inflict on our structures despite all possible measures being taken. The healthiest decision we can make after seeing this reality is to compensate for these damages either from our own pockets or by means of insurance rather than public budget. Mandatory earthquake insurance, one of our largest investments, secures our homes in this circumstance. In the year of its 10th anniversary, 2010, TCIP continued and expanded its efforts to promote mandatory earthquake insurance and to increase public awareness of it. Our goal is to raise the awareness of the public about earthquakes as well as insurance whilst encouraging them to act immediately towards the measures that must be taken. We would like to thank the 3.4 million home-owners, as of year-end 2010, who have taken out mandatory earthquake insurance for their conscientious and understanding behavior. Although this number seems large, only one in four homes is insured. However, this ratio varies greatly between the various cities and regions. For instance, while 35 percent of the Marmara region has mandatory earthquake insurance, only 14 percent of Southeastern Anatolia is insured. Although the rate of insured homes is high in the cities that experienced the Marmara earthquake, many cities that also bear earthquake risk have not reached the desired level. It is important we learn from the experiences of other regions before another earthquake occurs so that we can take measures without wasting any valuable time.

This year, TCIP's claim payment capacity per earthquake has reached 5 billion Turkish lira with reinsurance protection. Those who insured their homes with mandatory earthquake insurance were reimbursed for the damages to their homes on time and in full from their insurer. Since its foundation, TCIP has compensated nearly 21 million Turkish lira to the homes with mandatory earthquake insurance that have been damaged in over 300 earthquakes. Of these payments, 97 percent were for partial damages. One would wish that everyone insured their homes and

all financial damages would be recompensed through these means. We aim to increase the number of insured homes to 5.5 million within a couple of years through new activities and projects which we will focus on this year. Our long-term goal is to insure all homes. We will continue to contribute to the social transformation and stay current through new projects and activities in order to establish a permanent awareness in the public about this form of insurance.

In its current state, TCIP has become one of the largest insurance pools in the world through the corporate and financial capacity generated in the last 10 years. Many countries have set this structure as an example and are trying to implement it to their own circumstances. This structure will continue to serve the public and will further improve in the coming years by means of their continued support.

I would like to thank the Undersecretariat of Treasury for the continued support of our institution, our dedicated partner Euroko Insurance, who carries out our technical and administrative work and, to all of our other partners, primarily insurance companies and agencies I extend my deepest gratitude.

Sincerely,

Selamet YAZICI

**Turkish Catastrophe Insurance Pool
Chairman of the Board of Directors**

A MESSAGE FROM THE GENERAL MANAGER OF THE POOL MANAGEMENT COMPANY EUREKO INSURANCE



The election held by the Undersecretariat of Treasury in 2010 to determine the pool management company for TCIP was one of the prominent topics of the agenda. As Eureka Sigorta, we successfully undertook the pool management of TCIP during the 2005-2010 period and, with this election, earned the right to continue our role until 2015. Being chosen as the pool management company for a consecutive five-year period at TCIP, one of the best examples of the collaboration between the nonprofit industry and the private industry, was truly dignifying for the Eureka Sigorta family. We will continue to fulfill our duties for the next five years with the same belief and enthusiasm.

TCIP had a very active operating period in 2010, its 10th anniversary year. In 2010 social responsibility projects, aimed to increase earthquake and insurance awareness, and infrastructural projects with the aim of spreading and developing the compulsory earthquake insurance system were among the most important topics in TCIP's agenda.

Together with the Boğaziçi University Kandilli Observatory and Earthquake Research Institution, TCIP co-sponsored the Seismic Belt Truck project which was a well talked about and effective social responsibility project. The simulation truck got on the road along the Northern Anatolia Seismic Belt in May, and along the Western Anatolia Seismic Belt between September and November. Through the Seismic Belt Truck project, TCIP reached 110,000 people in a total of 46 centers in 16 provinces and 30 cities.



The Boğaziçi University Kandilli Observatory and Earthquake Research Institution educators gave seminars about earthquakes, methods of earthquake protection, and compulsory earthquake insurance in the centers visited by the Seismic Belt Truck which also had an earthquake simulator. After the seminars, participants learned about how they should act during an earthquake through demonstrations while the truck simulated the Elazığ earthquake that occurred on March 8, 2010. Both the press coverage and the number of people reached by the Seismic Belts Truck contributed greatly to increasing earthquake and insurance awareness as well as familiarity with TCIP.

The Seismic Belts Truck project proved its effectiveness through its achievements in the public relations competitions with international prestige. The project was awarded by PR News under the Nonprofit Projects segment of the Corporate Social Responsibility Awards. Moreover, the project advanced to the finals of the Sabre Awards, the public relations contest that receives the highest number of entries. In addition, Frontline, an online magazine published by the International Public Relations Association, covered the Seismic Belt Truck project in its March 2011 issue.

TCIP reached a wide range of people through different projects for diverse target audiences in 2010. Civil servants of leading roles, primarily those of the governor's office and municipalities, were contacted through meetings which TCIP volunteer Dr. Ahmet Mete Işıkara also attended. The agendas of these meetings included topics such as the importance of compulsory earthquake insurance and the support needed to increase the uptake of this form of insurance. Furthermore, meetings were held with academics in Istanbul and Ankara who work on projects related to earthquakes and relevant fields. Opinions regarding the spreading of compulsory earthquake insurance and improvement of the system were shared during these meetings. The second "Earthquake will pass, life will go on" themed TCIP Short Film Contest geared towards students studying in the communications departments of universities was one of the projects targeted at increasing sensitivity to earthquakes among the young. In addition to these projects aimed at increasing awareness of earthquakes and insurance, improvement of the compulsory post-damage earthquake insurance system held a significant place in

TCIP's agenda in 2010. The TCIP took an important step towards expanding its pool of damage surveyors who would be called upon after an earthquake. The first session within the scope of the Damage Assessment Specialist Training Program was held at the Emergency Directorate of the Governorship of Istanbul in collaboration with the Turkish Insurance Institute (TSEV). In addition to damage surveyors directed by the Union of Chamber and Commodity Exchanges of Turkey (TOBB), representatives from various departments of Istanbul Metropolitan Municipality, Public Works and Settlement Directorate, and Istanbul Provincial Disaster and Emergency Directorate attended the training. Through these trainings will continue in 2011 as well, TCIP aims to create the infrastructure necessary to conduct damage assessment after especially large-scale earthquakes in the fastest manner possible.

Just as in previous years, a successful process took place this year in creating reinsurance capacity which makes up the most important part of the claims payment power together with its own funds. As a result, the Pool's general reinsurance strategy can be defined as new markets, strong reinsurers and feasible costs.

Providing services whilst utilizing advanced technology has been one of the preliminary principles of the Pool. The efficiency rate of the system network, to which over 22,500 users from all across Turkey connect, has been near 100 percent. The Pool's investment in technology will continue in the forthcoming periods as well.

As TCIP, we will continue our activities in line with our "Earthquake will pass, life will go on" principle in 2011. We thank our insurance companies, insurance brokers and damage surveyors for their cooperation. We thank the Undersecretariat of the Treasury for their support and also the members of the TCIP Board of Directors for their devotion. All of you have had a part in our success.

Sincerely,

H. Okan UTKUERİ
Pool Manager Eureko Sigorta A.Ş General Manager and
TCIP Board of Directors Member

1. GENERAL INFORMATION

The Turkish Catastrophe Insurance Pool, TCIP, was established in 2000 after the Marmara Earthquake that occurred on August 17, 1999. Operating under the provision of the Undersecretariat of the Treasury, TCIP is responsible for the compulsory earthquake insurance program. With compulsory earthquake insurance, TCIP insures houses against damages resulting from earthquakes and damages from fires, explosions and landslides caused by earthquakes.

The Pool's fundamental purposes are as follows:

- To provide insurance protection against earthquakes for all residences, subject to compulsory earthquake insurance, in return for an affordable premium
- To provide a risk sharing mechanism within the country while at the same time transferring the financial burden caused by earthquake damage to international reinsurance and capital markets through an insurance system
- To establish a payment capacity detached from the capital budget
- To educate and create awareness among the public and policy holders

Compulsory earthquake insurance premiums are calculated based on the structure type, gross surface area, and location of the residence. In order to spread this earthquake assurance and provide familiarity with the insurance, premiums for all segments have been kept

at affordable levels. The policies for this compulsory earthquake insurance, mandatory for all residences within municipality and urban boundaries, are made available to property owners through all insurance agencies and bank branches.

With its structure and operation, TCIP is one of the best examples of the collaboration between nonprofit industry and the private industry. The technical and administrative affairs managed by an insurance or reinsurance company, called "Pool Management Company", selected through a tender held by the Undersecretariat of Treasury for five-year periods. The insurance coverage is provided by the Pool, and the compulsory earthquake insurance is provided to property owners through insurance companies. With this structure, TCIP has combined the advantages of both the nonprofit industry and the private industry under one roof; creating an effective working environment.

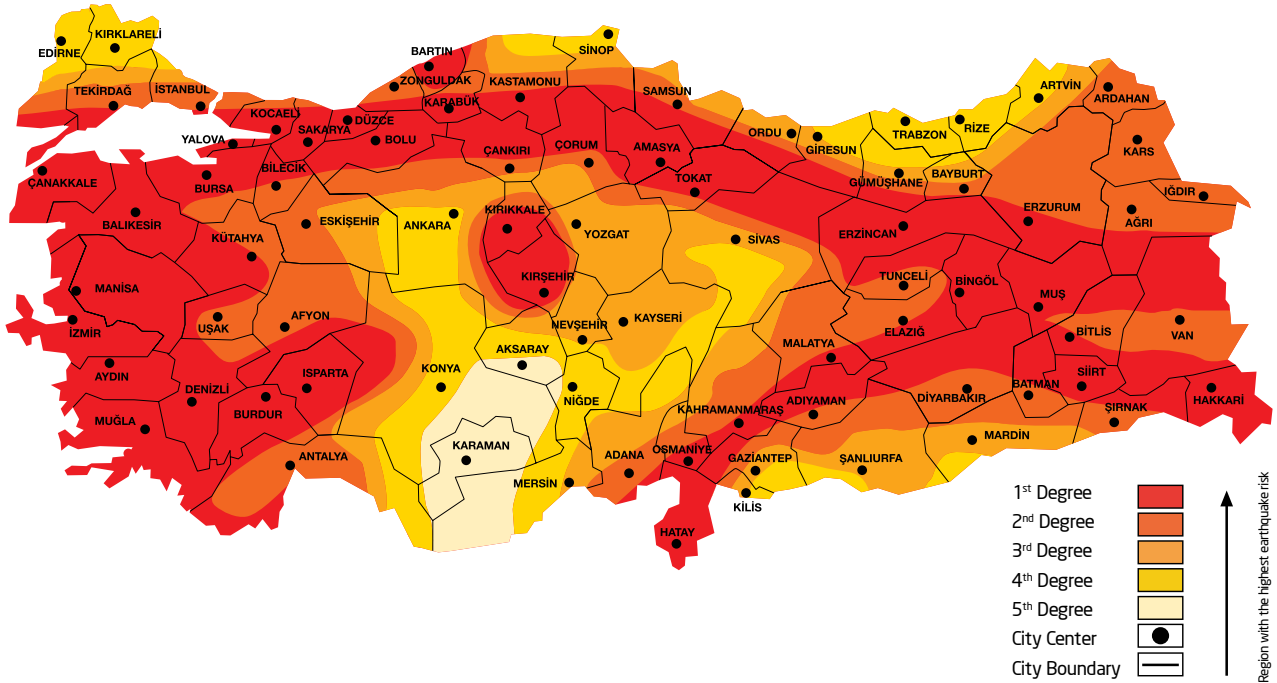
Currently, TCIP continues its work in order to attain sustainability of its existing policies and to include property owners who have not yet insured their properties in the system. TCIP not only manages policy generation in order to attain a sustainable growth in compulsory earthquake insurance, but also continues to manage important social responsibility projects geared towards improving earthquake and insurance awareness.

EARTHQUAKES CAUSING DEATH AND MATERIAL DAMAGE WHICH HAVE OCCURED IN TURKEY SINCE 1990

Earthquake	Date	Deaths	Injured	Homeless	Population Affected	Loss Million \$
Erzincan	13.03.1992	653	3,850	95,000	250,000	750
Dinar	01.10.1995	94	240	40,000	120,000	100
Çorum-Amasya	14.08.1996	0	6	9,000	17,000	30
Ceyhan-Adana	27.06.1998	145	1,600	88,000	1,500,000	500
Gulf of İzmit	17.08.1999	17,480	43,953	675,000	15,000,000	13,000
Düzce	12.11.1999	763	4,948	35,000	600,000	750
Afyon-Sultandağı	03.02.2002	42	327	30,000	222,000	96
Bingöl	01.05.2003	177	520	520	245,000	135
TOTAL		19,354	55,444	972,520	17,954,000	15,361

SOURCE: AFAD

Map of Earthquake Zones in Turkey



Insurance Companies Authorized to Underwrite Compulsory Earthquake Insurance Policies

1 AK SİGORTA A.Ş. 2 ALLIANZ SİGORTA A.Ş. 3 ANADOLU ANONİM TÜRK SİGORTA ŞTİ. 4 ANKARA ANONİM TÜRK SİGORTA ŞTİ.
5 AVIVA SİGORTA A.Ş. 6 AXA SİGORTA A.Ş. 7 BİRLİK SİGORTA A.Ş. 8 CHARTIS SİGORTA A.Ş. 9 DEMİR SİGORTA A.Ş. 10 DUBAİ GROUP
SİGORTA A.Ş. 11 ERGOİSVİÇRE SİGORTA A.Ş. 12 EUREKO SİGORTA A.Ş. 13 EURO SİGORTA A.Ş. 14 FİBA SİGORTA A.Ş.
15 GENERALİ SİGORTA A.Ş. 16 GROUPAMA SİGORTA A.Ş. 17 GÜNEŞ SİGORTA A.Ş. 18 HDI SİGORTA A.Ş. 19 HÜR SİGORTA A.Ş.
20 IŞIK SİGORTA A.Ş. 21 LIBERTY SİGORTA A.Ş. 22 MAPFRE GENEL SİGORTA A.Ş. 23 NEOVA SİGORTA A.Ş. 24 RAY SİGORTA A.Ş.
25 SBN SİGORTA A.Ş. 26 TÜRK NİPPON SİGORTA A.Ş. 27 YAPI KREDİ SİGORTA A.Ş. 28 ZÜRİCH SİGORTA A.Ş. 29 ZİRAAT SİGORTA A.Ş.

Several Indicators regarding Compulsory Earthquake Insurance as of December 31, 2010

Number of Effective Policies : 3,316,260 policies
Amount of Total Coverage : TL 198 billion
Premium Generation in 2010 : TL 319 million
Average Coverage per Home : TL 53,000
Average Premium per Home : TL 96

1.1 Board of Directors

Compulsory Earthquake Insurance Statutory Decree No. 587, Article 6 indicates that TCIP will be managed by the TCIP Board of Directors consisting of seven members, of whom one will be chairman. Hence, the Board of Directors including representatives from various institutions and establishments consists of the members indicated below.

Chairman and the Members of the Board of Directors

NAME	DUTY	INSTITUTION AND TITLE
Selamet YAZICI	Chairman	Deputy Director of the Undersecretariat of Treasury General Directorate of Insurance,
Erhan TUNCAY	Deputy Chairman	General Secretary of the Association of the Insurance and Reinsurance Companies of Turkey
Münir BÜYÜKSALİH	Member	Undersecretary Deputy Director of Ministry of Public Works and Settlement
Mustafa ÇOLAK	Member	Deputy Director of the Prime Ministry General Directorate of Personnel and Principles
Bekir Sıtkı ŞAFAK	Member	Vice President of the Capital Markets Board
Dr. Mustafa ERDİK	Member	Director of Boğaziçi University Kandilli Observatory and Earthquake Research Institute and Chairman of the Department of Earthquake Engineering
H. Okan UTKUERİ	Member	General Manager of the Pool Management Company Eureko Sigorta A.Ş.

1.2 Pool Management Company

As per the agreement signed with the Undersecretariat of Treasury in line with Statutory Decree No. 587, TCIP Pool Management Company duty will be carried out for the second time by Eureko Sigorta A.Ş. for a five-year period between the dates of August 8, 2010 and August 8, 2015.

The fundamental duties of Eureko Sigorta as Pool Management Company will be towards increasing the amount of policies issued and perfectionism in damage operations.

1.3 Funds Management

The Pool funds are monitored while taking into consideration the current liabilities and expenses of the Pool. Investment alternatives are selected based on capital, liquidity, and yield rate. Money markets are monitored closely and consultancy services are obtained from various portfolio management companies and treasuries of various banks. The banks that the Pool works with are chosen from the top 10 banks

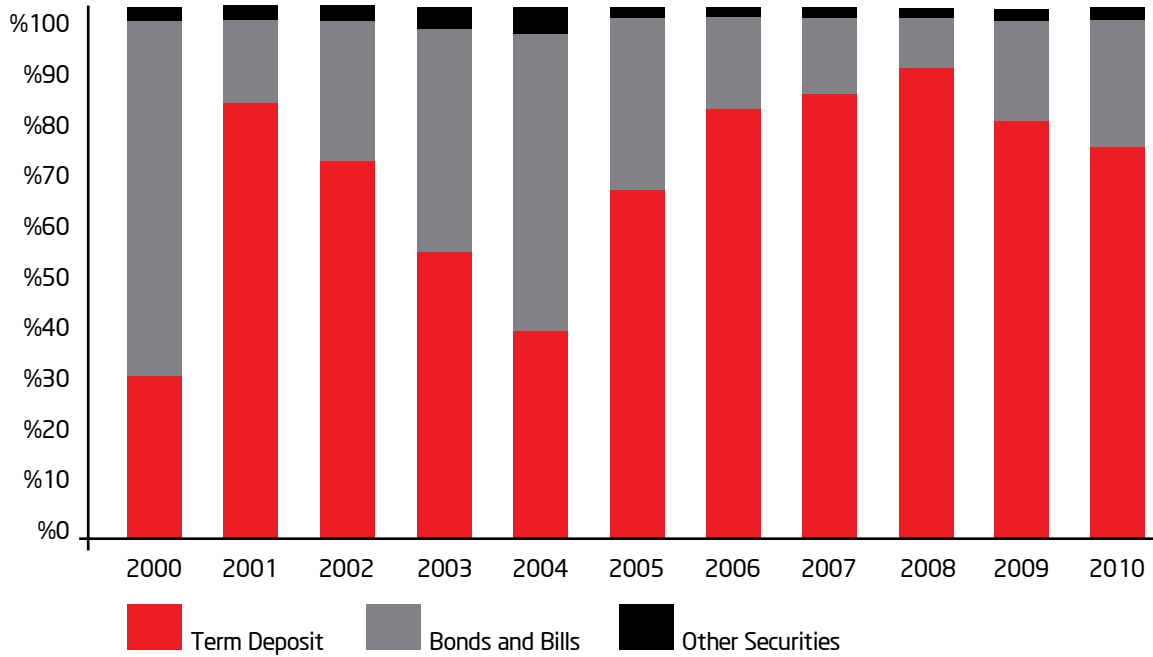
of the Turkish Banking system that have a high capital adequacy rate. While Pool funds are channeled to investment, the Pool's foreign exchange liabilities are also considered. In order for current World Bank Credit debts and Reinsurance premium debts not to be affected by fluctuations in exchange rates investments in foreign currency are made to the sum of the annual foreign exchange liabilities.

The distribution of the Pool's funds in terms of investment tools over years has been depicted in the graph below. Because term deposit has a higher yield rate compared to other investment tools, term deposit amounts have a higher share than other investment tools.

Pool funds are channeled into investment by Portfolio management companies and the Pool Management Company in accordance with the TCIP investment guide, decisions made by the Board of Directors and principles and limitations stated in legislation. Periodic contracts with portfolio management companies are renewed based on performance.



Distribution of Total Funds over Investment Tools



1.4 Reinsurance Protection

The Pool's reinsurance protection has been renewed as of November 1, 2010, in accordance with the current portfolio's features. An excess of loss reinsurance protection, consisting of twelve sections that cover up to €1.75 billion, including restructured reinsurance solutions with capital markets, has been established for the period between November 1, 2010, and October 31, 2011 through diversification among reinsurance companies led by Munich RE (Germany), Swiss RE (Switzerland), Amlin UK (United Kingdom) and so forth,

The following important factors were taken into account when establishing the Pool's damage payment capability and its reinsurance program;

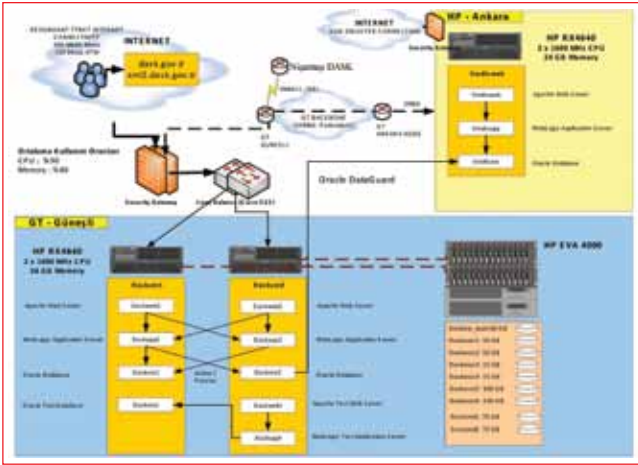
- providing the opportunity for the development of the Pool's resources
- creating a qualitative and reliable panel of reinsurers
- diversifying coverage and effectively appraising the damage payment amount of the portfolio

The Pool's primary external damage payment capability is based, in addition to its funds, on an excess of loss reinsurance agreement program which is structured for one year. TCIP does not have generally accepted criteria for similar insurance pools but implements practices that enable a total damage and loss payment capacity, in accordance with Solvency II Directive, for an earthquake with a return period of 250 years.

The Pool's total damage payment capability consists of; its own funds, its reinsurance program, its catastrophe bonds and similar special reinsurance agreements, and funds raised through damage payment agreements with banks, insurance and reinsurance companies, and other national and international financial institutions and companies.

The Pool's policy liabilities are monitored regularly and reinsurance protection limits are determined while taking into account damage models prepared by international institutions.

Infrastructure



TCIP

The structure in the disaster recovery center has been set up so that all operations can go live within two hours. Back-ups are taken onto TSM units every night.

1.5 Information Systems and Data Management

The Pool's information systems infrastructure and operational management philosophy is based on making the most of technological resources and setting an example for operational efficiency. Its main elements are as follows:

1.5.1 Network Management and Service Levels

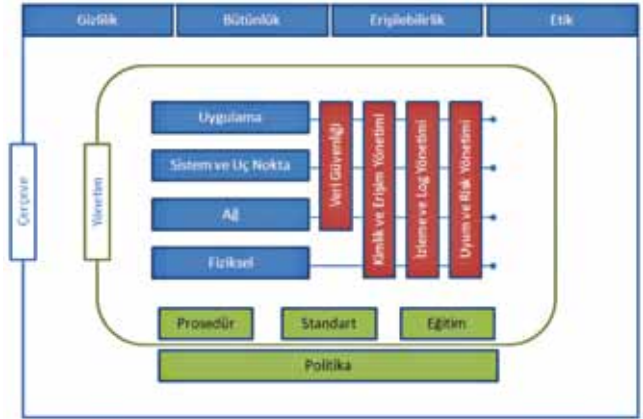
Because the Pool is within scope of Garanti Teknoloji's service, it receives a service that meets a wide range of international service standards. These services are monitored at certain service level agreements constantly. In case of a fault, the situation is intervened in and reported at certain intervals. The Pool provides services over Eureka Sigorta's network as part of the services received from Garanti Teknoloji.

1.5.2 TCIP Monitoring Services

The processes listed below are monitored and controlled 24 hours/day.

- System Accessibility
- E-mail actions
- Systems
- Network Services
- Internet Accessibility Services
- Web Page Accessibility

Enterprise Information Security Architecture



- Application Accessibility
- Performance Management

1.5.3 Security Architecture and Policies

The details of the security architecture and policies are described below.

- Security Operation Services
- Security Assessment and Patch management
- Design and Consultancy
- Research
- Controlling Peripheral Accessories
- Keeping computers up-to-date
- Regulating Internet Accessibility
- Regulating Data Accessibility Tools
- Watching over Production Data

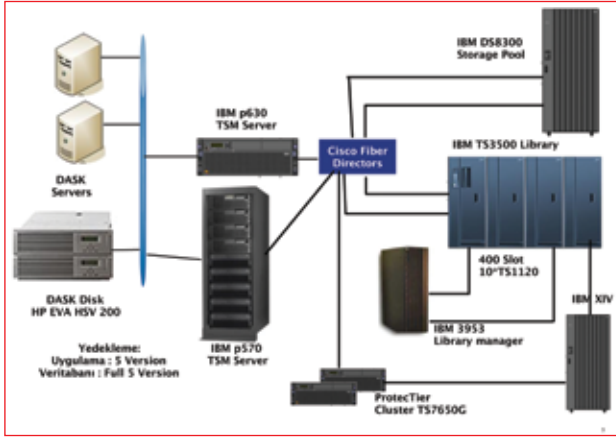
Security Policies

Determines principles and rules regarding the usage of projects, processes, and IT entries.

1.5.4 Emergency Center Management

Tests have been conducted with the participation of companies regarding the performance of the back-up system in Ankara in case of emergencies. During these tests, all applications working in

Back-up Structure



systems in Istanbul were shut down and all emergency systems in Ankara were started up.

During this period, all "Web" and "Online policy generation through Web services" related functions and actions used in connection to this structure, both in real time as well as over the Web, were tested separately by company users. The tests proved that emergency servers are fully functional and up-to-date.

1.5.5 Data Security and Back-up

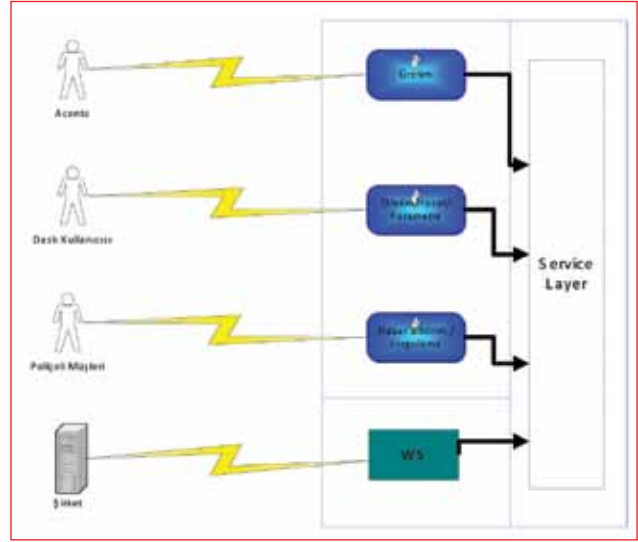
Existing back-up procedure is performed in a fully automated manner using cutting edge technology equipment.

1.5.6 Software Development Projects

The following improvements have been made to the TCIP's software structure:

- In order to contribute to policy generation and renewal processes, a pilot project has been completed for sending a reminding letter via postal service to policy holders whose policy will end soon.
- As part of the agreement with HP, new licenses have been purchased for the Partitioning option in the software.
- Improvements in the following areas have been developed and applied:
 - Ability to renew group policies from different companies and other renewal needs

TCIP Application Process Flow



- Renewal of cancelled policies from other companies
- Needs arising from the change in TCIP city, province, and district codes
- Ability for TCIP to cancel group policies that have ended, just like in policies that have ended
- Ability to delete draft groups and access new drafts or renewal information using old group numbers during group renewals

The existing software was developed using Java 1.5 and keeps its data in the TCIP system on Oracle database version 10G. All entries made into the database are also recorded offline onto the Emergency Center in Ankara. TCIP's system functions with 2 application servers that run with back-ups.

1.6 Matters regarding Regulations and Practices

1.6.1 Change in Rates

Changes have been made in the rates of Compulsory Earthquake Insurance as per "Rates and Rules regarding Changes in the Rates and Rules of Compulsory Earthquake Insurance" published in the Official Gazette No. 27796 issued on December 25, 2010.

Training Modules



Maximum coverage amounts and area values have been revised as shown below effective as of January 01, 2011:

	Before	Now
Maximum Coverage Amount:	140,000 TL	150,000 TL
Minimum Premium Amount:	25.00 TL	25.00TL

Value per square meter

	Before	Now
A- Steel, Concrete Reinforced Framed Buildings:	550 TL	590 TL
B- Masonry Buildings:	395 TL	425 TL
C- Other Buildings:	205 TL	220 TL

1.6.2 Group Policies and Renewal Discounting

With the Compulsory Earthquake Insurance Rates and Rules effective as of January 01, 2011 the 10 percent discount given for apartment groups has been increased to 20 percent and an additional 20 percent discount is given for renewing policies within 30 days of maturity date. These incentives have been established to encourage policy renewals as well as group applications for apartment buildings and building complexes to increase the numbers of both new policies and renewed policies. In addition to these discounts, advertisement and promotional campaigns are organized as well as briefing meetings with civil servants, mediators, and the public. These events have all had a positive impact on policy uptake.

1.6.3 Projects Developed by the Pool

• Surveyor Training Project

The ability to assess material damage and compensating policy holders' losses in the minimum time possible through fast, effective, and efficient work in the event of an earthquake are the most important and fundamental functions of the Turkish Catastrophe Insurance Pool. It is among the Pool's duties to allocate resources for both the education level and number of qualified assessors who can meet the demand of various potential earthquake scenarios. Accordingly, TCIP and affiliated institutions have put the Catastrophe Emergency Action Plan into effect as of 2007 in order to coordinate emergency aid services for periods before, during and after a catastrophe.

This plan aims to record damage claims; designate the necessary number of damage surveyors; determine damage values based on the reports prepared by damage surveyors and payout indemnities in the shortest amount of time with a rapid and systematic structure without giving way to the chaotic environment in the event of an earthquake. The Pool believes that in case of such an emergency, the high levels of damage assessment needs can only be managed through shared projects with other governmental institutions. As a result of discussions along this framework, it has been decided that construction engineers and architects working in local government

Indemnity Payments by year

INDEMNITY PAYMENTS BY YEAR (31.12.2010)

YEAR	NUMBER OF EARTHQUAKES	NUMBER OF FILES	PAYMENT (TL)
2000	1	6	23,022
2001	17	338	127,497
2002	21	1,558	2,284,835
2003	20	2,504	5,203,990
2004	31	587	768,927
2005	41	3,488	8,107,968
2006	22	499	1,296,871
2007	42	990	1,378,564
2008	44	475	561,289
2009	35	257	501,404
2010	28	394	603,148
TOTAL	302	11,096	20,857,514

offices can be utilized for damage assessment in addition to existing insurance assessors.

Upon this decision, the first action to be taken was to train the teams. An e-learning project titled "Damage Assessment Specialist Training" was prepared by TCIP in collaboration with the Turkish Insurance Institute (TSEV).

The pilot training session was held at the Istanbul Emergency Center owned by the Emergency Directorate of the Governorship of Istanbul on November 3-4, 2010.

Fifty-eight people from the Provincial Disaster and Emergency Directorate, Istanbul Public Works and Settlement Directorate, Istanbul Metropolitan Municipality teams and Insurance Surveyors attended the training. Five surveyors, of whom four were construction engineers and one was a chemical engineer, attended the training through the Union of Chamber and Commodity Exchanges of Turkey (TOBB). The four modules consisting of Insurance, Earthquake, Building, and Damage were explained through the e-learning system by instructors from TSEV.

- Training Modules
- SMS notifications for policies to be renewed

An SMS is sent to policyholders that have stated their mobile

numbers on their policies approximately 15 days before the maturity date of their policies. SMSs are sent in 15-day periods, on the first and 15th of the month for renewals of the coming month. After the month-end renewals are due and policy renewal numbers are checked and reported.

- Policy Renewal reminder letters sent to Kocaeli

In order to contribute to production and policy renewals, 22,200 letters have been sent to Kocaeli in a three-month period. The most important issue here was that most of the addresses on the policies were either wrong or insufficient. The project has been discontinued after negative feedback from policy holders who received the reminder letters.

1.7 Damage Assessment and Claim Payments

Damage assessment is conducted by independent damage surveyors assigned by TCIP. Indemnity payments determined after these assessments are made directly by TCIP.

Indemnity Payments based on Earthquakes:

- Since the beginning of this practice on September 27, 2000, a cumulative total of 20,857,514 Turkish lira has been paid for 11,096 files opened for 302 earthquakes.

- In 2010, a total of 603,148 Turkish lira was paid for 394 files opened for 28 earthquakes.

97% of paid damage indemnities are partial damages:

Of the 11,096 claim files to which damage indemnities were paid until today, 3 percent have been paid the full damage indemnity based on the policy coverage. 97 percent of the indemnity payments were repairs of damages in residences as a result of small and medium scale earthquakes and that have not resulted in a building collapses.

1.8. Promotion and Raising Awareness in Society

The Pool's promotional strategy has been established and the agreements with Grup 7 İletişim Ajansı and Zenith Medya Satın Alım continued to be the companies to do this task. These two companies have provided their services for promotional and awareness-raising topics. The Pool chose to continue working with Markom Leo Burnett Reklam Ajansı for its communications strategy and campaign projects.

1.8.1 Campaign Period

In line with the April 6, 2010 dated Board of Directors decision, TCIP brought its third advertisement campaign to life. Television, billboards, newspapers, local and national radios, private projects (outdoor stands integrated with the advertisement concept) and overpasses were used as advertisement channels.

1.8.2 August 17th Promotion and Public Awareness Raising Projects

On the 11th anniversary of the Marmara earthquake on August 17, 1999, TCIP organized an event with its Earthquake Truck in Taksim Square between August 16 and 22 to increase awareness about earthquakes and compulsory earthquake insurance. In the Earthquake Truck, created with the collaboration of TCIP and Boğaziçi University Kandilli Observatory and Earthquake Research Institution (KRDAE), citizens were briefed about precautions to take during an earthquake as well as learning about compulsory earthquake insurance while also experiencing an earthquake simulation. The Truck stayed in Taksim Square for a

week and during this time Neighborhood Catastrophe Volunteers (MAG) demonstrated how life after an earthquake will go on if compulsory earthquake insurance is not taken by living in a shed set up next to the truck. The Earthquake Truck event set-up in Zeytinburnu on August 14 and 15 in collaboration with TCIP, KRDAE and MAG attracted great attention and many people participated in the earthquake simulation.

1.8.3 Local Newspaper Advertisements

A communications campaign targeting the press was organized after the 6.0 moment magnitude scale (MMS) earthquake in Elazığ on March 8, 2010. Advertisements prepared for this occasion were published in local newspapers of cities like Elazığ, Tunceli, Bingöl, Diyarbakır, Erzurum, and Malatya as well as in national newspapers with high circulation between March 12, 2010, and March 20, 2010.

1.8.4 TV Program

In an effort to brief about the Compulsory Earthquake Insurance and TCIP an agreement with CNN Türk channel and program producer Noyan Doğan was made again to broadcast the "Bakış" program for 10 episodes over the 10-week period between January 9, 2010 and May 15, 2010, on Saturdays between 11:00 and 12:00. The program content was improved by adding street interviews and regional briefings.

1.8.5 Symposia and Conferences

A list of symposia and conferences participated in and supported is described below:

- October 4-5, 2010: Istanbul International Conference on Seismic Risk Mitigation _ Istanbul University
- October 5, 2010: Earthquake Early Warning Workshop _ Boğaziçi University Kandilli Observatory and Earthquake Research Institute
- October 12-13, 2010: World Forum of Catastrophe Programmes 2010, Bucharest, Romania
- November 23-26, 2010: The 19th International Geophysical Congress and Exhibition of Turkey _ Union of Chambers of Turkish Engineers and Architects (TMMOB) Chamber of Geophysical Engineers
- December 9, 2010: Earthquake Readiness and Sensitivity Meeting _ Turkish Earthquake Foundation



- December 14-17, 2010: Municipal Earthquake Risk Management between Turkey-Iran-USA Workshop Boğaziçi University Kandilli Observatory and Earthquake Research Institute

1.8.6 Monthly Magazines

We have articles regularly published in Birlik'ten; a monthly magazine published by Association of the Insurance and Reinsurance Companies of Turkey. Also, we have had news and articles published in Sigorta Postası; a magazine published by the Pool Management Company where industrial and inter-company news is shared. Furthermore, briefings about our projects have been published in Deprem Dergisi; published by the Turkish Earthquake Foundation.



1.8.7 2nd Short Film Contest

As part of our 2010 communications plan, the second TCIP Short Film Contest was organized in an effort to increase earthquake awareness among the younger population by encouraging university students to produce short films. The theme of the contest (tailored towards

students studying in the communications and fine arts institutes of universities) was set as "Earthquake will pass, life will go on". Applications submitted before November 30, 2010, were accepted and students told of how short an earthquake is; how long life is and how damages and losses from an earthquake are not some preordained destiny in their three-minute films. Students ranking in the top three received their awards from Ali Babacan, Secretary of State and Deputy Prime Minister. Eighty films from 21 universities were submitted to the contest. "Scream" by Akif Çelebioğlu from Marmara University won first place.

1.8.8 Northern Anatolia and Western Anatolia Seismic Belt Truck

The Northern Anatolia and Western Anatolia Seismic Belt Truck, created with the collaboration of TCIP and Boğaziçi University Kandilli Observatory and Earthquake Research Institute (KRDAE), set out with the mission to teach ways to protect oneself from earthquakes and to draw attention to the importance of the Compulsory Earthquake Insurance. Twelve instructors from KRDAE worked on the truck providing seminars and earthquake simulations. The project came to life with the goal of increasing awareness of Compulsory Earthquake Insurance and Earthquakes through face-to-face communication.





With the help of the publicity gained by targeting the national and local media, the number of people the project has reached is far more than that of those who visited the truck alone.

The Seismic Belts Truck was made available to the public of the cities and provinces along the route. Visitors of the truck learned about what to do during an earthquake from instructors while experiencing a simulated earthquake.

The fundamental goals of the Seismic Belt Truck project are as follows:

- Sustain the momentum gained in face-to-face communication,
- Establish awareness about earthquakes and Compulsory Earthquake Insurance in both adults and the younger population,
- Strengthen familiarity with TCIP and its corporate reputation,
- Increase insurance levels in the regions located over the active seismic belts in Turkey.

Northern Anatolia Seismic Belt Truck

The **Northern Anatolia Seismic Belt Truck** project started with a press conference held on Taksim Square in Istanbul on April 29, 2010.

- The first event of the Northern Anatolia Seismic Belt Truck was in Elazığ on May 2, the Truck's trip ended with the event in Çanakkale on June 16.
- The Truck's journey on the Northern Anatolia Seismic Belt lasted 50 days.

- 20 cities and two provinces, due to high demand, were visited
- Approximately 50,000 people were reached out to in the cities and provinces visited, and a total of 4,000 km was travelled.
- In total, 115 training seminars were organized.
- TCIP Volunteer Dr. Üstün Dökmen gave a "Procrastination psychology and precautions to take against an earthquake" titled seminar in five cities including Tokat, Amasya, Çorum, Karabük and Bolu.

The **Western Anatolia Seismic Belt Truck** project started with a press conference held in Bursa on September 21, 2010.

- 100 seminars were given by KRDAE instructors during the 53-day journey on the Western Anatolia Seismic Belt.
- The simulation of the 6.1 magnitude earthquake in Elazığ on March 8th was uploaded on the simulations system in the truck. Earthquakes, ways to be protected from earthquakes and the importance of the Compulsory Earthquake Insurance were explained to the visitors who included teachers, students and civil servants.
- As part of the program, Dr. Üstün Dökmen gave seminars in Bursa, Balıkesir, Manisa, Afyon, Denizli, Aydın and Muğla. During the seminars he talked about the chaotic results of the tendency to delay preparations for those in a country under earthquake threat and how to overcome it.
- The journey of the Western Anatolia Seismic Belt Truck ended in Istanbul on November 12, also the anniversary of the Düzce earthquake.



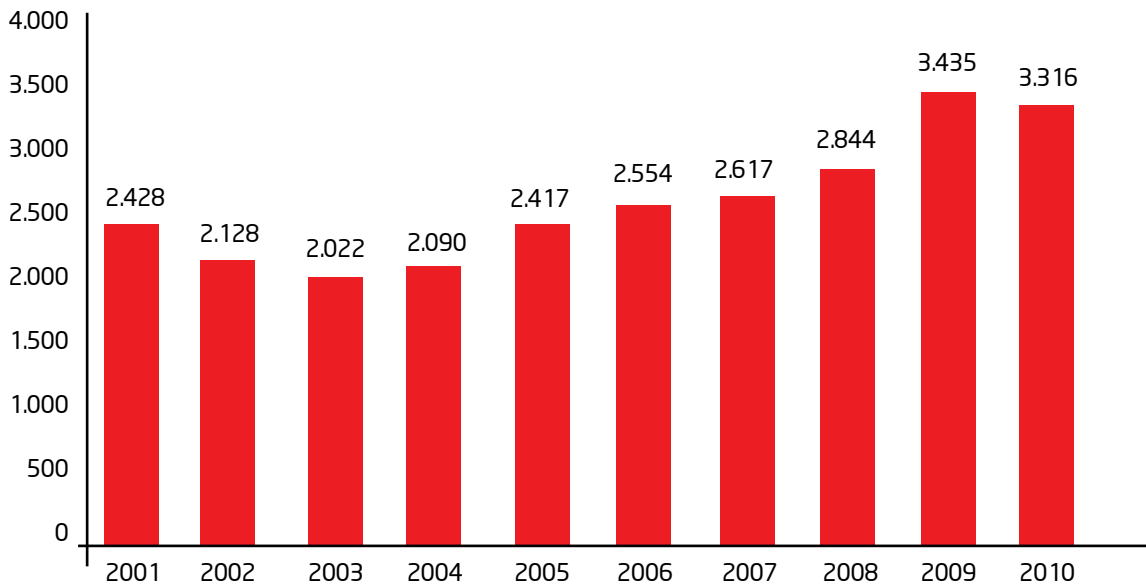
TCIP

**TURKISH
CATASTROPHE
INSURANCE
POOL**

STATISTICS

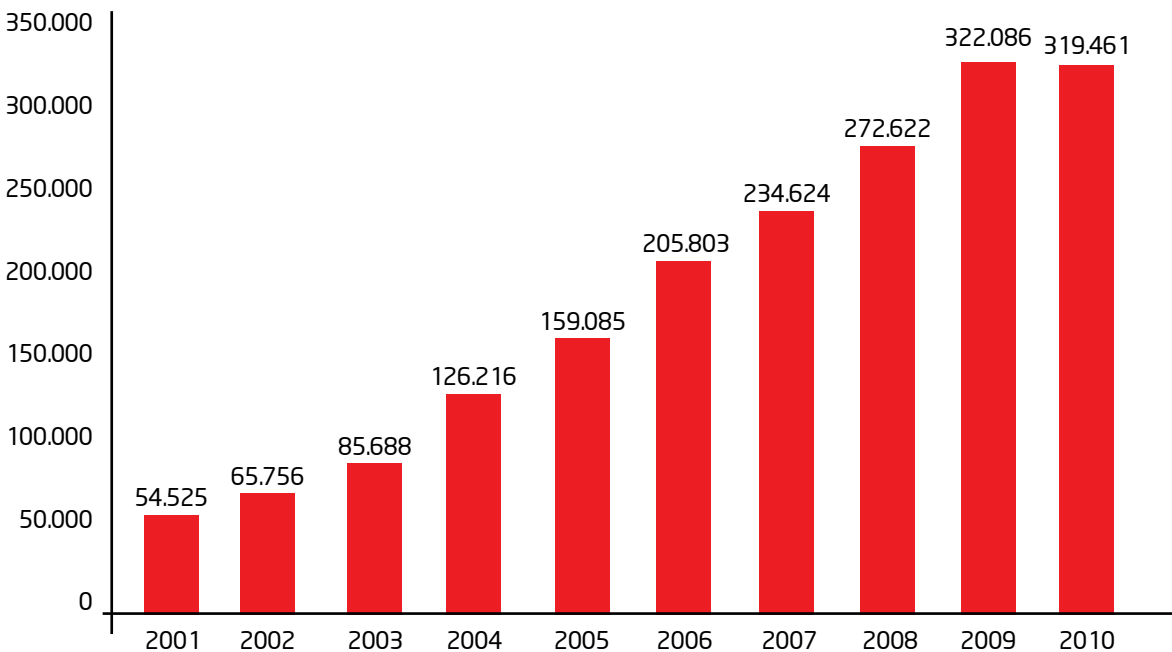
2.1 Volume of Policies Created Annually

NUMBER OF COMPULSORY EARTHQUAKE POLICIES BY YEAR (in thousands)



Note: In 2009, the debate on Earthquake Insurance being made compulsory during the change in Property Ownership Law (made to ease the transfer of residences with construction servitude to property ownership) has had a positive impact on policy production. However, because the final regulation does not make Compulsory Earthquake Insurance a requirement, the production levels of the following periods have been affected negatively.

COMPULSORY EARTHQUAKE POLICY PREMIUMS BY YEAR (in TL thousand)



2.2 Number of Policies Underwritten by Insurance Companies

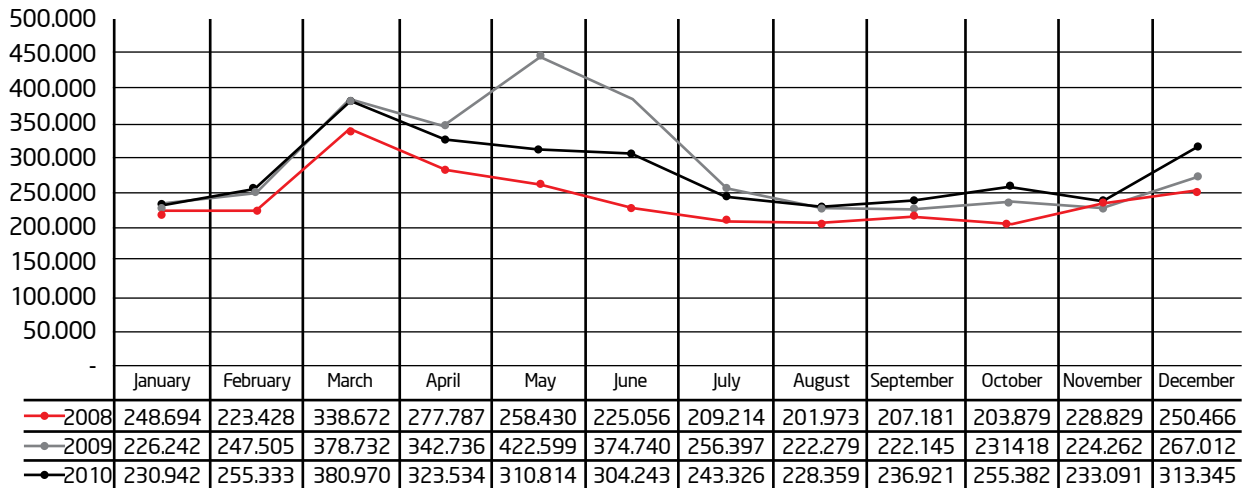
COMPULSORY EARTHQUAKE INSURANCE POLICY PRODUCTION REPORT (AS OF 31.12.2010)

PRODUCTION BY COMPANIES	2009		2010		Policy Increase %
	Number of Policies	Policy Rate %	Number of Policies	Policy Rate %	
AXA SİGORTA A.Ş.	462,278	13.5	469,745	14.2	-1.6
ANADOLU SİGORTA	405,377	11.8	385,913	11.6	5.0
ZİRAAT SİGORTA A.Ş.	0	0	269,658	8.1	-813.1
GÜNEŞ SİGORTA A.Ş.	292,203	8.5	259,088	7.8	12.8
AKSİGORTA A.Ş.	282,734	8.2	238,640	7.2	18.5
GROUPAMA SİGORTA AŞ	391,430	11.4	187,757	5.7	108.5
YAPI KREDİ SİGORTA A.Ş.	161,560	4.7	179,496	5.4	-10.0
ALLIANZ SİGORTA A.Ş.	180,729	5.3	156,093	4.7	15.8
EUREKO SİGORTA AŞ	131,823	3.8	150,117	4.5	-12.2
ERGO SİGORTA AŞ	180,182	5.2	149,154	4.5	20.8
HALK SİGORTA A.Ş.	124,944	3.6	144,936	4.4	-13.8
FİBA	137,312	4	134,486	4.1	2.1
RAY SİGORTA A.Ş.	97,446	2.8	86,222	2.6	13.0
MAPFRE GENEL SİGORTA A.Ş.	86,108	2.5	76,733	2.3	12.2
IŞIK SİGORTA A.Ş.	64,365	1.9	73,807	2.2	-12.8
HDI SİGORTA AŞ	82,336	2.4	69,508	2.1	18.5
AVIVA SİGORTA A.Ş.	84,311	2.5	43,170	1.3	95.3
ZURICH SİGORTA A.Ş.	40,261	1.2	42,604	1.3	-5.5
ANKARA SİGORTA A.Ş.	37,667	1.1	30,802	0.9	22.3
DUBAI GROUP SİGORTA A.Ş.	20,847	0.6	29,829	0.9	-89.9
GENERALİ SİGORTA AŞ	28,387	0.8	26,050	0.8	9.0
HÜR SİGORTA A.Ş.	38,510	1.1	23,135	0.7	66.5
NEOVA SİGORTA A.Ş.	0	0	22,355	0.7	-67.4
LIBERTY SİGORTA AŞ	13,421	0.4	21,495	0.6	-37.6
SBN SİGORTA A.Ş.	21,282	0.6	18,892	0.6	12.7
EURO SİGORTA A.Ş.	6,348	0.2	14,927	0.5	-57.5
CHARTIS SİGORTA A.Ş.	3,168	0.1	5,047	0.2	-37.2
TÜRK NİPPON SİGORTA A.Ş.	477	0	4,345	0.1	-13.1
DEMİR SİGORTA A.Ş.	823	0	2,257	0.1	-6.8
GÜVEN SİGORTA TAŞ	59,427	1.7	-1	0	0.0
Total	3,435,756	100.0	3,316,260	100.0	-3.6

2.3 Monthly Policy Creation Volumes

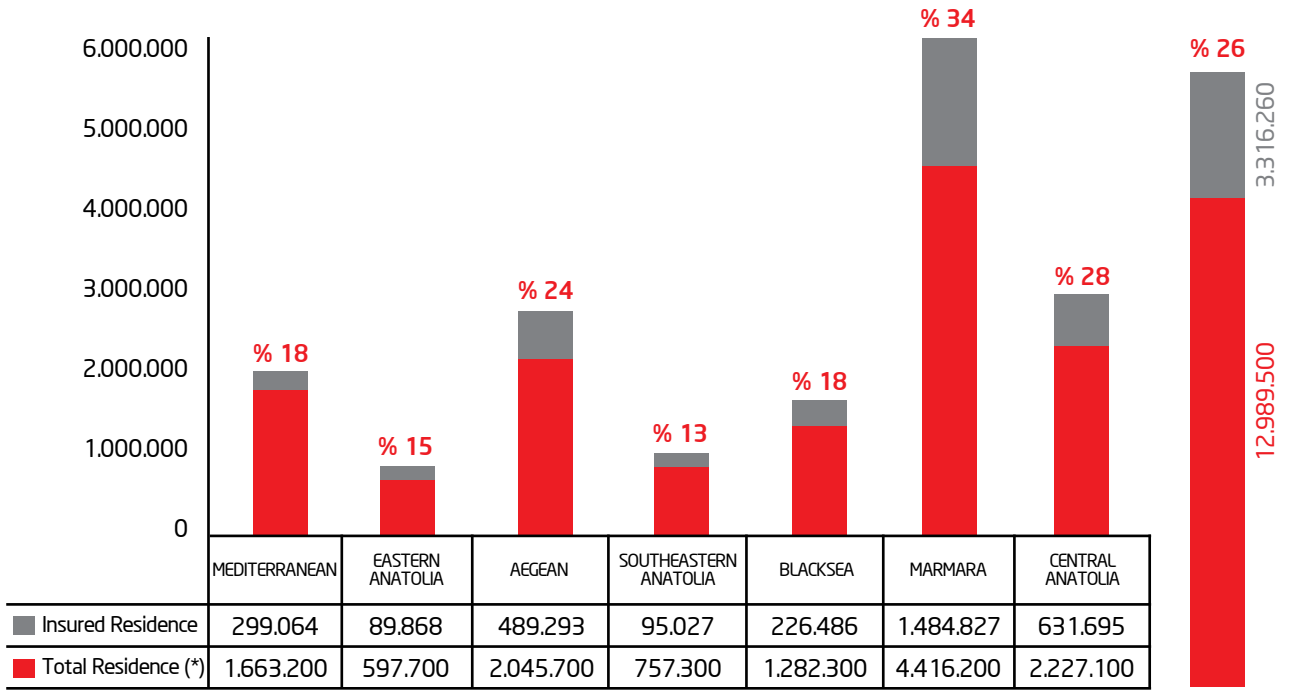
CEI POLICY PRODUCTION REPORT (AS OF 31.12.2010)

MONTHS	2008 Number of Policies	2009 Number of Policies	2010 Number of Policies	2008 Policy Premiums TL	2009 Policy Premiums TL	2010 Policy Premiums TL	2010	2010
							Increase Rate of Number of Policies %	Increase Rate of Policy Premiums %
JANUARY	218,694	226,242	230,942	20,004,371	22,328,687	22,509,773	2.1	0.8
FEBRUARY	223,428	247,505	255,333	20,241,431	23,938,480	24,545,362	3.2	2.5
MARCH	338,672	378,733	380,970	32,328,137	35,999,970	37,037,882	0.5	2.9
APRIL	277,787	342,736	323,534	27,086,010	32,294,872	30,951,764	-5.6	-4.2
MAY	258,430	442,599	310,814	24,974,567	38,383,242	29,319,167	-29.8	-23.6
JUNE	225,056	374,740	304,243	21,856,253	33,540,139	29,369,188	-18.8	-12.4
JULY	209,214	256,397	243,326	20,072,426	23,618,401	23,290,318	-5.1	-1.4
AUGUST	201,973	222,279	228,359	19,623,518	21,003,604	22,162,189	2.7	5.5
SEPTEMBER	207,181	222,145	236,921	20,236,951	21,403,268	22,808,749	6.6	6.6
OCTOBER	203,879	231,418	255,382	19,914,406	22,326,881	24,860,502	10.4	11.3
NOVEMBER	228,829	224,262	233,091	22,098,052	21,541,000	22,389,223	3.9	3.9
DECEMBER	250,466	267,012	313,345	24,186,846	25,746,968	30,217,592	17.4	17.4
TOTAL	2,843,609	3,436,068	3,316,260	272,622,968	322,125,513	319,461,709	-3.5	-0.8





2.4 Insurance Rates of Regions



*Residences under the scope of the Compulsory Earthquake Insurance

2.5 Insurance Rates of Cities

REGIONS AND CITIES	TOTAL RESIDENCE	INSURED RESIDENCE	INSURANCE RATE %	AVERAGE COVERAGE (TL)	AVERAGE PREMIUM (TL)	Risk Level of City Center	Premium for 100 sqm (TL)
AEGEAN REGION	2,045,700	489,293	24	56,950	120		
MUĞLA	155,700	66,534	43	52,639	115	1	140
İZMİR	912,600	232,394	25	58,433	124	1	140
DENİZLİ	187,300	41,643	22	64,657	137	1	140
AYDIN	219,400	57,217	26	53,886	119	1	140
UŞAK	66,100	10,468	16	58,986	98	2	101
MANİSA	243,900	39,806	16	55,481	122	1	140
AFYON KARAHİSAR	137,200	23,183	17	51,597	100	2	101
KÜTAHYA	123,500	18,048	15	54,604	97	2	101
MEDITERRANEAN REGION	1,663,200	299,064	18	62,645	92		
ANTALYA	365,100	107,022	29	59,452	84	2	101
MERSİN	352,100	62,597	18	67,355	56	3	59
ADANA	375,400	56,338	15	71,080	108	2	101
BURDUR	52,000	8,118	16	53,876	124	1	140
ISPARTA	98,000	15,196	16	52,606	120	1	140
HATAY	218,600	28,261	13	56,814	125	1	140
OSMANİYE	68,600	9,228	13	61,376	128	1	140
K.MARAŞ	133,400	12,304	9	60,366	118	1	140
EASTERN ANATOLIA REGION	597,700	89,868	15	61,399	116		
ERZİNCAN	41,400	11,607	28	54,942	125	1	140
TUNCELİ	10,300	2,075	20	58,969	103	2	101
ERZURUM	94,200	14,788	16	65,851	105	2	101
KARS	23,600	3,477	15	57,889	97	2	101
ELAZIĞ	87,800	17,796	20	66,885	111	2	101
ARDAHAN	6,500	1,013	16	53,476	89	2	101
MALATYA	123,600	17,306	14	65,075	141	1	140
VAN	64,100	5,884	9	61,807	106	2	101
AĞRI	33,000	3,086	9	45,416	86	2	101
İÇDIR	16,600	1,465	9	59,875	99	2	101
BİTLİS	29,000	3,689	13	52,078	103	1	140
MUŞ	28,800	1,481	5	49,199	114	1	140
HAKKARİ	16,300	642	4	47,766	120	1	140
BİNGÖL	22,500	5,559	25	58,437	126	1	140

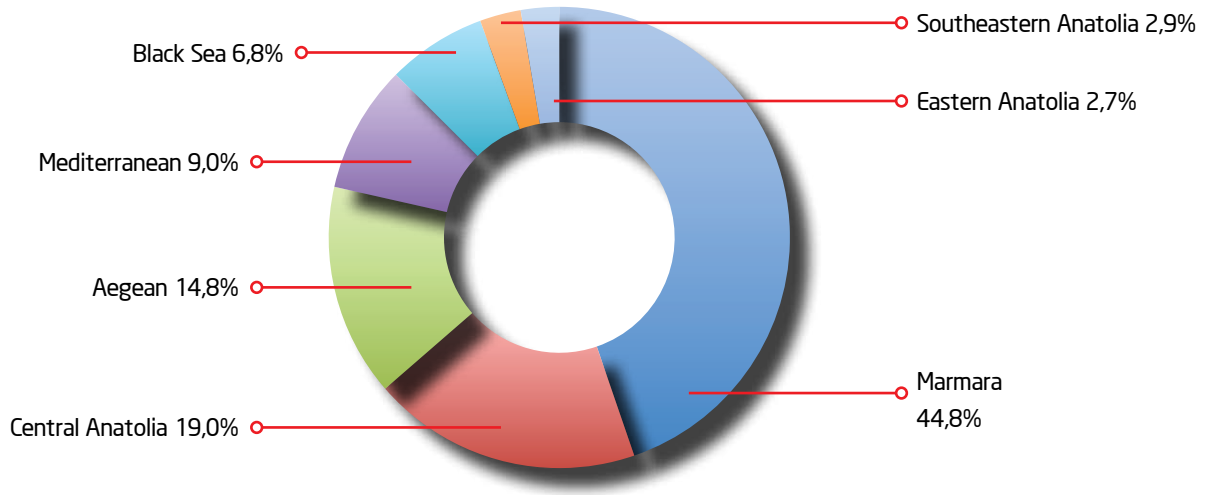


REGIONS AND CITIES	TOTAL RESIDENCE	INSURED RESIDENCE	INSURANCE RATE %	AVERAGE COVERAGE (TL)	AVERAGE PREMIUM (TL)	Risk Level of City Center	Premium for 100 sqm (TL)
SOUTHEASTERN ANATOLIA REGION	757,300	95,027	13	64,601	80		
GAZIANTEP	223,700	33,829	15	68,668	64	3	59
DIYARBAKIR	160,300	21,990	14	67,266	109	2	101
ŞANLIURFA	127,000	16,802	13	57,608	58	3	59
ADİYAMAN	60,600	7,151	12	66,119	112	2	101
KİLİS	16,300	1,520	9	55,345	58	3	59
MARDİN	70,100	5,909	8	58,963	60	3	59
SİİRT	24,200	2,283	9	54,296	127	1	140
BATMAN	44,500	4,264	10	65,420	106	2	101
ŞIRNAK	30,600	1,279	4	47,309	91	2	101
MARMARA REGION	4,416,200	1,484,827	34	59,574	109		
YALOVA	64,200	27,751	43	54,024	112	1	140
İSTANBUL	2,714,500	975,959	36	60,283	110	1	145
TEKİRDAĞ	178,100	69,329	39	60,562	71	2	101
KIRKLARELİ	66,500	17,893	27	61,589	40	4	42
EDİRNE	76,000	23,357	31	57,069	53	4	42
KOCAELİ	281,700	93,037	33	60,622	125	1	140
SAKARYA	125,100	50,875	41	58,284	124	1	140
ÇANAKKALE	90,300	26,909	30	54,386	119	1	140
BALIKESİR	272,600	69,373	25	51,657	112	1	140
BURSA	512,200	122,656	24	60,346	125	1	140
BİLECİK	35,000	7,688	22	56,878	110	1	140
CENTRAL ANATOLIA REGION	2,227,100	631,695	28	60,311	50		
ANKARA	902,900	382,629	42	62,196	42	4	42
ESKİŞEHİR	166,200	52,479	32	52,087	82	2	101
ÇANKIRI	34,900	5,622	16	47,660	106	1	140
KAYSERİ	218,900	57,516	26	61,440	56	3	59
KIRŞEHİR	44,500	8,440	19	49,084	113	1	140
SİVAS	93,700	15,299	16	56,347	63	3	59
NEVŞEHİR	60,700	9,656	16	48,366	53	3	59
KARAMAN	44,700	6,164	14	62,394	36	5	36
KONYA	376,000	59,392	16	61,753	51	4	42
AKSARAY	65,200	9,505	15	61,786	38	5	36

REGIONS AND CITIES	TOTAL RESIDENCE	INSURED RESIDENCE	INSURANCE RATE %	AVERAGE COVERAGE (TL)	AVERAGE PREMIUM (TL)	Risk Level of City Center	Premium for 100 sqm (TL)
NİĞDE	63,800	8,380	13	57,260	40	4	42
YOZGAT	89,100	9,858	11	53,259	61	3	59
KIRIKKALE	66,500	6,755	10	55,806	118	1	140
BLACKSEA REGION	1,282,300	226,486	18	57,693	90		
BOLU	38,900	21,982	57	59,069	121	1	140
DÜZCE	29,800	15,569	52	57,046	119	1	140
AMASYA	60,800	11,718	19	52,227	118	1	140
SİNOP	32,300	6,255	19	52,051	53	4	42
KASTAMONU	55,900	11,666	21	56,527	109	1	140
ÇORUM	91,600	18,849	21	58,670	96	2	101
ZONGULDAK	114,300	17,390	15	58,669	101	2	101
SAMSUN	204,000	32,003	16	58,952	91	2	101
BARTIN	24,000	4,463	19	53,248	120	1	140
KARABÜK	45,400	6,997	15	55,096	123	1	140
TRABZON	156,100	21,652	14	60,870	41	4	42
ORDU	130,800	18,438	14	59,568	65	3	59
ARTVİN	24,200	3,971	16	56,880	49	3	59
GİRESUN	76,500	10,701	14	56,104	46	4	42
TOKAT	107,000	14,940	14	52,691	119	1	140
RİZE	60,800	5,981	10	64,068	43	4	42
GÜMÜŞHANE	20,800	2,227	11	54,389	77	3	59
BAYBURT	9,100	1,684	19	67,179	59	3	59
TURKEY OVERALL	12,989,500	3,316,260	26	59,669	96		

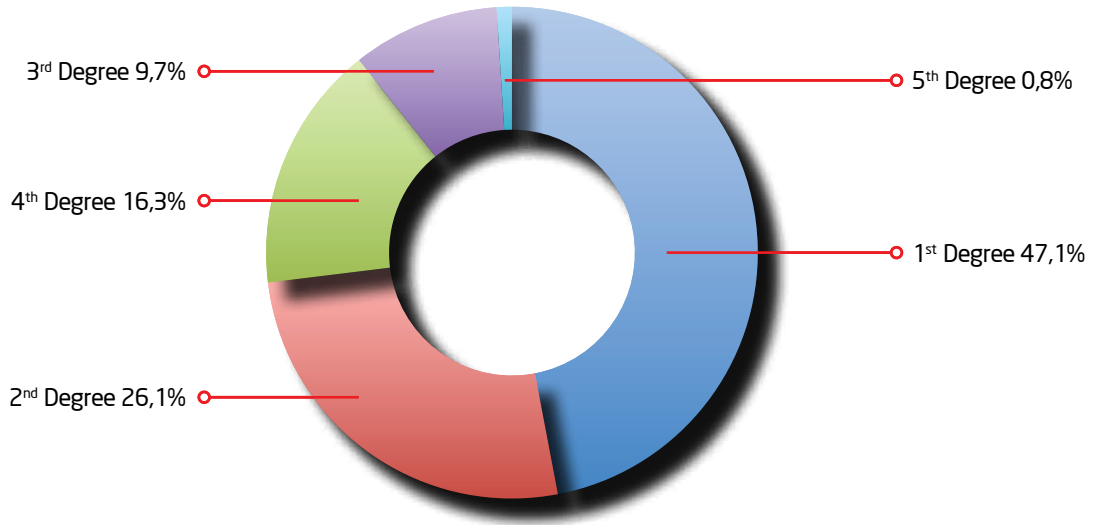
*Number of residences that fall under the coverage of Compulsory Earthquake Insurance according to the census in 2000

2.6 Dispersion of Policies based on Regions



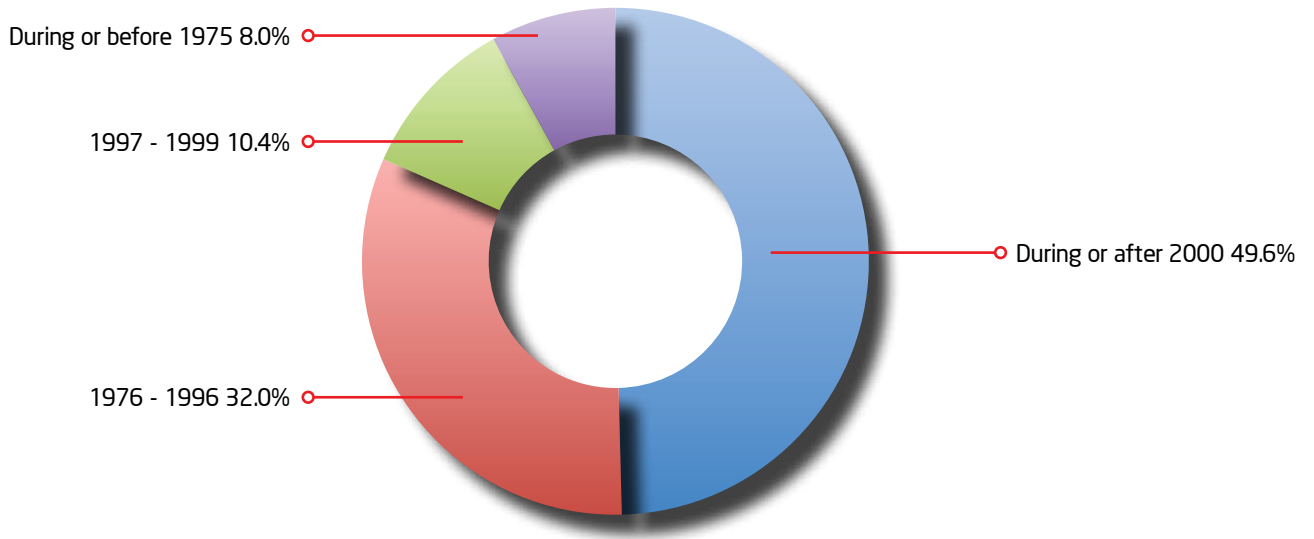
PRODUCTION IN REGIONS	Number of Policies	Rate (%)	Premiums (TL)	Rate (%)
Mediterranean	299,064	9.0	27,619,943	8.6
Eastern Anatolia	89,868	2.7	10,433,549	3.3
Aegean	489,293	14.8	58,887,171	18.4
Southeastern Anatolia	95,027	2.9	7,625,378	2.4
Central Anatolia	631,695	19.0	31,886,648	10.0
Black Sea	226,486	6.8	20,472,856	6.4
Marmara	1,484,827	44.8	162,536,164	50.9
TOTAL	3,316,260	100.0	319,641,709	100.0

2.7 Dispersion of Policies based on Danger Zones



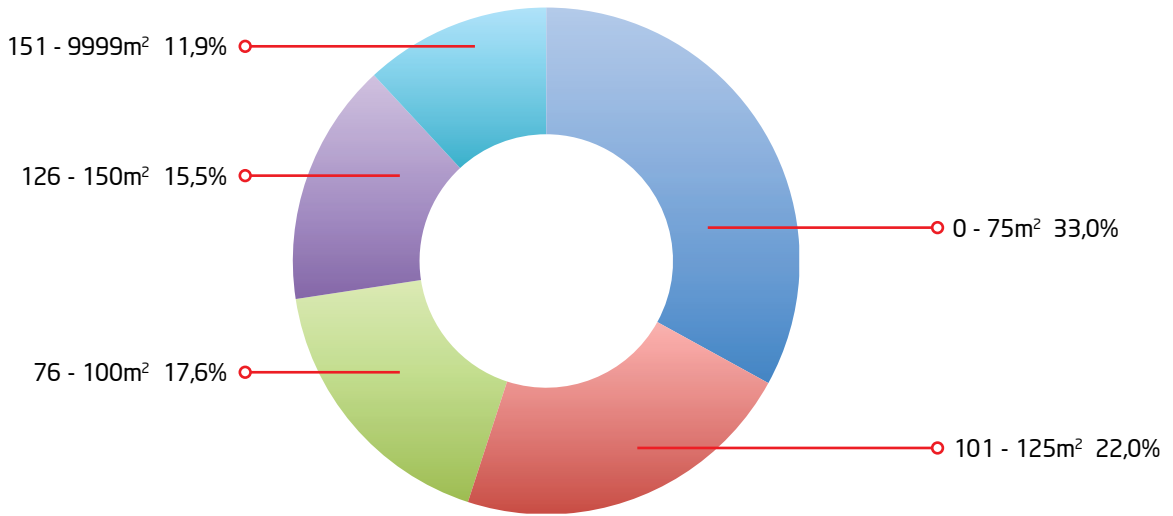
Production Based on Danger Zones	Number of Policies	Rate (%)	Premiums (TL)	Rate (%)
1 st Degree	1,560,457	47.1	194,493,163	60.9
2 nd Degree	864,229	26.1	82,713,652	25.9
3 rd Degree	322,930	9.7	19,188,783	6.0
4 th Degree	540,908	16.3	22,109,604	6.9
5 th Degree	27,736	0.8	956,507	0.3
TOTAL	3,316,260	100.0	319,461,709	100.0

2.8 Dispersion of Policies based on Building Construction Date



PRODUCTION BASED ON BUILDING CONSTRUCTION DATE	Number of Policies	Rate (%)	Premiums (TL)	Rate (%)
During or Before 1975	266,556	8.0	22,722,729	7.1
Between 1976-1996	1,062,594	32.0	102,036,462	32.0
Between 1997-1999	342,414	10.4	34,202,537	10.7
During or After 2000	1,644,696	49.6	160,499,981	50.2
TOTAL	3,316,260	100.0	319,461,709	100.0

2.9 Dispersion of Policies based on Building Floor Space



PRODUCTION BASED ON BUILDING FLOOR SPACE	Number of Policies	Rate (%)	Premiums (TL)	Rate (%)
Under 75 m ²	1,095,394	33.0	90,696,958	28.4
76 -100 m ²	583,776	17.6	33,620,425	10.5
101 -125 m ²	730,979	22.0	73,493,732	23.0
126 -150 m ²	511,389	15.5	59,341,945	18.6
Over 150 m ²	394,722	11.9	62,308,650	19.5
TOTAL	3,316,260	100.0	319,461,709	100.0



TCIP

**TURKISH
CATASTROPHE
INSURANCE
POOL**

AUDIT REPORT

TURKISH CATASTROPHE INSURANCE POOL NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)



INDEPENDENT AUDIT REPORT

To the Board of Directors of
the Natural Disasters Insurances Authority

1. We audited ("Authority") the Natural Disasters Insurances Authority's attached balance sheet, dated December 31, 2010, as well as the comprehensive income statement, exchange of net assets statement and cash statement for the fiscal period ending on the same date, along with the summary of important accounting policies and other explanatory notes.

Responsibility of the Authority's Board of Directors in relation with Financial Statements

2. The Authority's Board of Directors is responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards, and their accurate presentation, as well as performance of internal audits considered necessary by the management to ensure that financial statements are free from irregularity or error.

Responsibility of the Independent Audit Company

3. We, as the independent audit company, are responsible for delivering an opinion on the aforementioned financial statements based on the independent audit we performed. The audit was performed pursuant to the International Audit Standards. These standards require the compliance with the code of ethics and the planning and performance of the audit in such a manner as to give a reasonable guarantee that there are any significant errors in the financial statements.

The audit involves the use of necessary audit techniques to collect supporting evidence on the amounts and explanations provided in the financial statements. The audit techniques, including a risk assessment on whether there are any significant misrepresentations, are selected based on the opinion of the auditor, considering whether information in the financial statements resulted from errors and/or frauds. Although the risk assessment takes into consideration the Authority's internal audit system related to the preparation and accurate presentation of the financial statements, the aim is not to deliver an opinion on the effectiveness of the internal audit system but to develop audit techniques required by the existing conditions. In addition to convenience of accounting policies implemented by the Authority's management and reasonableness of the accounting estimates, the audit also involves the assessment on the general presentation of the financial statements.

We believe that the evidence obtained from the audit provides us with an adequate and appropriate basis for forming an opinion.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. member of PricewaterhouseCoopers
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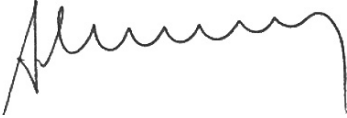
TURKISH CATASTROPHE INSURANCE POOL NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

Opinion

4. In our opinion, the attached financial statements reflect the Natural Disasters Insurances Authority's financial position as of December 31, 2010, as well as its financial performance and cash flows for the fiscal year ending on the same date, in all important aspects, in an accurate manner and in compliance with the International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of
PricewaterhouseCoopers



Adnan Akan, SMMM
Responsible Partner & Chief Auditor

Istanbul, April 25, 2011

TURKISH CATASTROPHE INSURANCE POOL BALANCE SHEET AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	31 December 2010	31 December 2009
ASSETS			
Current assets			
Cash and cash equivalents	4 and 5	1,179,029,226	944,571,860
Available-for-sale financial assets and financial assets at fair value through profit or loss	4 and 6	254,624,373	241,806,754
Premium receivables	4 and 7	25,109,583	21,369,404
Deferred commission expense	17	26,230,661	26,053,643
Other assets	4 and 8	72,147,027	70,619,066
Total current assets		1,557,140,870	1,304,420,727
Non-current assets			
Property and equipment, net	9	489,830	712,047
Total non-current assets		489,830	712,047
Total assets		1,557,630,700	1,305,132,774
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term portion of long term borrowings	10	19,540,737	21,899,761
Short-term trade payables	4 and 11	84,102,146	66,904,574
Unearned premium reserve	4 and 12	156,365,257	153,503,546
Outstanding claims provision	4 and 12	1,082,462	597,489
Total current liabilities		261,090,602	242,905,370
Non-current liabilities			
Long-term borrowings	10	28,813,959	44,789,499
Total non-current liabilities		28,813,959	44,789,499
Total liabilities		289,904,561	287,694,869
Fair value reserve	13	4,975,325	859,826
Accumulated fund reserve	13	1,262,750,814	1,016,578,079
Total net assets		1,267,726,139	1,017,437,905
Total liabilities and net assets		1,557,630,700	1,305,132,774

The accompanying notes form an integral part of these financial statements.

TURKISH CATASTROPHE INSURANCE POOL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	2010	2009
Revenues			
Earned premiums	14	316,594,953	302,321,300
Total insurance revenue		316,594,953	302,321,300
Expenses			
Cost of reinsurance coverage	15	(102,563,702)	(79,625,975)
Commission expenses	17	(52,798,978)	(51,916,955)
Claim costs	16	(1,691,403)	(248,204)
Total insurance expenses		(157,054,083)	(131,791,134)
Insurance revenue, net		159,540,870	170,530,166
General and administrative expenses	18	(10,272,109)	(11,552,984)
Operating income		149,268,761	158,977,182
Financial income, net	19	96,903,974	106,238,256
Increase in fund reserve, net		246,172,735	265,215,438
Other comprehensive income			
Fair value reserve increase		4,115,499	154,138
Comprehensive fund reserve increase		250,288,234	265,369,576

The accompanying notes form an integral part of these financial statements.

TURKISH CATASTROPHE INSURANCE POOL STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Fair value reserve	Accumulated fund reserve	Total
1 January 2009	705,688	751,362,641	752,068,329
Fair value reserve increase	154,138	-	154,138
Increase in fund reserve	-	265,215,438	265,215,438
31 December 2009	859,826	1,016,578,079	1,017,437,905
Fair value reserve increase	4,115,499	-	4,115,499
Increase in fund reserve	-	246,172,735	246,172,735
31 December 2010	4,975,325	1,262,750,814	1,267,726,139

The accompanying notes form an integral part of these financial statements.

TURKISH CATASTROPHE INSURANCE POOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note	2010	2009
Cash flows from operating activities			
Increase in fund reserve, net		246,172,735	265,215,438
Adjustments for:			
Depreciation and amortisation charges	9	326,901	404,436
Net income from investments		(97,023,059)	(111,321,423)
Interest expenses	19	2,374,668	2,954,980
Foreign exchange losses associated with borrowings and cash and cash equivalents		1,548,302	792,935
Increases in receivables (-)		(3,740,179)	(1,991,107)
Increase in other current assets (-)		(1,527,961)	(5,725,324)
Change in insurance reserves and deferred commission expense		3,169,666	15,711,387
Increase/(Decrease) in short-term trade payables		17,197,572	(5,950,567)
Net cash provided by operating activities		168,498,645	160,090,755
Cash flows from investing activities			
Interest received from banks		74,956,724	87,593,113
Decrease/(Increase) in available-for-sale financial assets		10,376,654	(119,812,674)
Purchase of tangible assets	9	(104,684)	(10,556)
Net cash inflow/(outflow) related to investing activities		85,228,694	(32,230,117)
Cash flows from financing activities			
Borrowings and interest paid		(21,039,736)	(15,812,469)
Net cash outflows from financing activities (-)		(21,039,736)	(15,812,469)
Net increase in cash and cash equivalents		232,687,603	112,048,169
Cash and cash equivalents at the beginning of the period		934,609,485	823,725,625
Foreign exchange losses associated with cash and cash equivalents (-)		(1,217,798)	(1,164,309)
Cash and cash equivalents at the end of the period	5	1,166,079,290	934,609,485

The accompanying notes form an integral part of these financial statements.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 1 - NATURE OF OPERATIONS AND ADMINISTRATION

Doğal Afet Sigortaları Kurumu ("Turkish Catastrophe Insurance Pool: TCIP"), was established as a public legal entity in order to provide insurance and to fulfil the other tasks assigned to it under Decree Law No. 587 issued by the Council of Ministers and published in the Official Gazette on 27 December 1999. The main operation of TCIP is providing Compulsory Earthquake Insurance to ensure that owners of the buildings are compensated for their losses that occur as a result of an earthquake. TCIP is managed by the "Board of Directors of Turkish Catastrophe Insurance Pool" which consists of seven members, assigned by The Undersecretariat of Treasury ("Treasury"), The Ministry of Public Works and Settlement, Association of the Insurance and Reinsurance Companies of Turkey, Boğaziçi University, Capital Markets Board, T.C. Prime Ministry General Directorate of Personnel and Principles and Institution Administrator.

TCIP started policy sales on 27 September 2000.

The execution of technical and operational activities of TCIP is outsourced. Under the provisions of Decree No. 587, administration of the operations of TCIP has been assigned to Eureka Sigorta A.Ş., as the "Institution Administrator", by Treasury through a contract signed on 8 August 2005 for a period of 5 years. After the renewal of tender in July 2010, Eureka Sigorta A.Ş. has been re-assigned as the Institution Administrator for the period between 2010 and 2015 and the related contract was signed on 8 August 2010. The Institution Administrator, based on the principles set out by Treasury and decisions of Board of Directors of TCIP, and on behalf of TCIP, provides day-to-day administrative services with respect to executing technical and operational aspects of all insurance activities of TCIP regarding compulsory earthquake insurance, applying plans for risk transfer and reinsurance, management of resources of TCIP, carrying out the campaigns related to public relations, marketing and education, purchasing of goods and services related to operations of TCIP and bookkeeping services.

TCIP and funds generated by TCIP are exempt from any kind of taxation.

TCIP is not subject to Public Accounting Law numbered 1050, Law related to the Supervision of Public Economic Enterprises and Funds by the Grand National Assembly of Turkey numbered 3346, Court of Accounts Law numbered 832, State Tender Law numbered 2886 or Travel Allowances Law numbered 6245.

Insurance premium receivables of TCIP are collected in accordance with Law related to the Procedures for the Collection of Public Receivables numbered 6183.

Annual financial statements, transactions and expenses of TCIP are audited by Treasury.

The financial statements of TCIP were authorised for issue by the Board of Directors on 25 April 2011.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of TCIP at 31 December 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which include the standards and interpretations issued by the International Accounting Standards Board ("IASB") and effective as of the time of preparing these financial statements.

TCIP maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Decree Law numbered 587. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(a) Changes and interpretations those are effective in 2010 and relevant for the financial statements of TCIP:

- IFRS 3 (revised), "Business combinations" (Effective for annual periods starting on or after 1 July 2009),
- IAS 27 (revised), "Consolidated and separate financial statements", (Effective for annual periods starting on or after 1 July 2009),
- IAS 28 (revised), "Investments in associates", (Effective for annual periods starting on or after 1 July 2009),
- IAS 31 (revised), "Interests in joint ventures", (Effective for annual periods starting on or after 1 July 2009),
- IFRIC 17, "Distribution of non-cash assets to owners" (Effective for annual periods starting on or after 1 July 2009),
- IFRIC 18, "Transfers of assets from customers", (Effective for annual periods starting on or after 1 July 2009),
- IFRIC 9, "Reassessment of embedded derivatives" and IAS 39 (revised), "Financial instruments: Recognition and measurement" (Effective for annual periods starting on or after 1 July 2009),
- IFRIC 16, "Hedges of a net investment in a foreign operation" (Effective for annual periods starting on or after 1 July 2009),
- IAS 38 (amendment), "Intangible assets", (Effective for annual periods starting on or after 1 January 2010),
- IAS 1 (amendment), "Presentation of financial statements" (Effective for annual periods starting on or after 1 January 2010),
- IAS 36 (amendment), "Impairment of assets", (Effective for annual periods starting on or after 1 January 2010),
- IFRS 2 (amendment), "Group cash-settled share-based payment transactions" (Effective for annual periods starting on or after 1 January 2010),
- IFRS 5 (amendment), "Non-current assets held for sale and discontinued operations" (Effective for annual periods starting on or after 1 January 2010).

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by TCIP:

- IFRS 9 "Financial instruments" (Effective for annual periods starting on or after 1 January 2013),
- IAS 32 (amendment), "Classification of rights issues" and IAS 1 (amendment) "Presentation of financial statements" (Effective for annual periods starting on or after 1 February 2010),
- IFRIC 19, "Extinguishing financial liabilities with equity instruments" (Effective for annual periods starting on or after 1 July 2010),
- IFRIC 14 (amendment), "The limit on a defined benefit asset, minimum funding requirements and their interaction" (Effective for annual periods starting on or after 1 January 2011),
- IAS 24 (revised), "Related party disclosures" (Effective for annual periods starting on or after 1 January 2011).

The management of TCIP is of the view that applying the standards and interpretations above will not materially affect the financial statements of TCIP in future periods.

Comparatives

Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current year. In this context; "Administrator expenses", which was disclosed under commission expenses in prior year, to conform to the classification in the current year, has been reclassified to "General and administrative expenses" in the prior year statement of comprehensive income (Note 18).

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying TCIP's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented, unless otherwise stated.

Premium revenue / Commission expense

Premiums are recognized as income proportionally over the period of coverage of earthquake policies issued on a daily pro-rata basis. The portion of premium revenues that relates to the following period is accounted as the unearned premium reserve for each policy and on a daily basis. The commission expenses incurred in acquiring the unearned portion of premiums are deferred on the same basis as the premiums to which they relate.

Cost of reinsurance coverage

The reinsurance agreements entered into by TCIP with reinsurers under which TCIP is compensated for losses on one or more policies, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. The cost of reinsurance, mainly consisting of excess of loss premiums, is incurred on an accrual basis.

The excess of loss reinsurance agreements are renewed annually and cover twelve-months-period from November of prior year up to the end of October of the current year. Accordingly, the cost of reinsurance accounted for under the current year include 10-months-portion of the excess of loss premium related to the reinsurance agreement ending October 2010 and 2-months-portion of the excess of loss premium related to the reinsurance agreement ending October 2011. The cost of reinsurance accounted in the current year also includes excess of loss premium adjustment accrued with respect to related reinsurance agreements as well as brokerage fees paid to and incurred for related intermediaries.

Claims

Claims are recorded in the period in which they occur, based on reported claims. The claims provision is the total estimated ultimate cost of settling claims arising from events which have occurred up to the end of the accounting period.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful life based on the restated cost of such assets. The estimated useful lives of property and equipment are as follows:

Furniture and fixtures	5 years
------------------------	---------

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by comparison of their carrying amounts and related collections and included in fund reserve increase.

Repair and maintenance expenses are charged to income statement of the related period. However, the investment expenses resulting in a capacity improvement increasing future economic benefits from the respective assets are capitalised.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Financial assets

TCIP classifies its financial assets as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" and "Loans and receivables". The classification of the financial assets is decided by TCIP management at initial recognition based on the purpose for which such assets were acquired and reviewed at reporting periods.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either held as available for sale or not classified in any other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale financial assets.

b) Financial assets at fair value through profit or loss

The financial assets measured at fair value through profit or loss by TCIP are classified as "Financial assets at fair value through profit or loss" in the financial statements. Financial assets at fair value through profit or loss consist of financial instruments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, formed as a part of a portfolio of financial assets that are managed together for which there is evidence of short-term profit taking, and classified as financial assets designated at fair value through profit or loss at inception since they are managed and their performance is evaluated on fair value basis.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that TCIP intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Financial assets are initially recognised at fair value. Available-for-sale financial assets are subsequently carried at fair value based on quoted bid prices. Loans and receivables are carried at cost less any provision for impairment.

Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are accounted in the fair value reserve as a part of net assets. When such financial assets are disposed or impaired, the accumulated fair value differences under net assets are transferred to the income statement. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss are accounted for at their fair values at the inception date and measured at their fair values at subsequent periods. It is concluded that the fair value can not be reliably measured if the price that provides a basis for fair value is not set in active market conditions and "amortised cost value" that is calculated using the effective interest method is used as fair value. Valuation gains or losses are recognised in the income statement. The interest income and dividend income on financial assets at fair value through profit or loss are classified in interest income and the dividend income, respectively.

Foreign currency translation

Transactions in foreign currencies during the period are translated into Turkish Lira at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the period end. Exchange gains and losses arising from translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost and any difference between the borrowing amount, net of transaction costs, and the balance sheet amount calculated using the effective yield method is recognised in the income statement.

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The classifications used by TCIP with respect to fair values of its financial assets and liabilities are disclosed below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Available-for-sale financial assets and financial assets at fair value through profit or loss included in the balance sheet are the items that are recognised at fair value. The fair value of such financial assets is determined by using quoted prices, which can be regarded as Level 1. The estimated fair values of financial instruments have been determined by TCIP using available market information and appropriate valuation methodologies to the extent that relevant and reliable information is available from the financial markets in Turkey. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may not be necessarily indicative of the amounts TCIP could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial assets and liabilities for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate their carrying values.

The carrying values of certain financial assets, including cash and cash equivalents along with the respective accrued interest are considered to approximate their fair values.

The fair values of available-for-sale financial assets and financial assets at fair value through profit or loss are determined by reference to the market values.

The carrying values of premiums receivable are considered to approximate their fair values due to their short-term nature.

Financial liabilities

The fair value of bank borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that are available to TCIP for similar borrowings.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance risk

TCIP issues contracts (insurance policy) that carry insurance risk. This section summarises the risks associated with these contracts and how TCIP manages them.

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that TCIP faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The TCIP management believes that the liability for claims carried at year-end is adequate.

TCIP is granting earthquake coverage to residential buildings. The payment ability of TCIP is limited to its accumulated funds and reinsurance protection that is purchased from the reinsurance market. The catastrophe model outputs are taken into consideration while setting the top limit and the priorities for the reinsurance protection. The limits are monitored in line with the aggregate developments as per the key zones. Premium amounts are based on pre-determined tariffs that vary according to the earthquake zones and types of buildings. The maximum guarantee provided for a residence via Compulsory Earthquake Insurance is TL 150,000 (31 December 2009: TL 140,000). Minimum policy premium is TL 25 (31 December 2009: TL 25) regardless of the type of building and earthquake zone.

TCIP manages such risks through its underwriting strategy and reinsurance protection purchased via excess of loss reinsurance agreement.

The concentration of insurance risk (maximum insured loss) is summarised below:

	2010	2009
Istanbul region	58,833,399,190	56,363,412,520
Other regions	139,045,280,250	144,838,694,295
Total	197,878,679,440	201,202,106,815

The concentration of insurance risk in terms of geographical risk zones in Turkey, Zone 1 having the highest earthquake risk, is summarized below:

	2010	2009
Zone 1	90,531,877,540	89,976,327,920
Zone 2	51,717,507,060	49,958,655,165
Zone 3	20,544,843,185	19,723,429,270
Zone 4	33,486,432,020	39,866,551,175
Zone 5	1,598,019,635	1,677,143,285
Total	197,878,679,440	201,202,106,815

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk factors

TCIP is exposed to financial risk through its financial assets, financial liabilities (borrowings) and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts and not covered by the reinsurance agreement. The most important components of the financial risk are market risk (includes interest rate risk and currency risk), credit risk and liquidity risk. TCIP's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the TCIP's financial performance. Risk management is carried out by the Institution Administrator under policies regulated by certain legal arrangements and approved by the Board of Directors. Board of Directors considers the liquidity and credibility of the investments in the first place and seeks the maximisation of profitability on investments. TCIP does not use derivative financial instruments to hedge risk exposures.

(a) Market risk

i. Interest rate risk

TCIP is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. This risk is managed by using natural hedges that arise from balancing interest rate sensitive assets and liabilities.

Available-for-sale financial assets with variable interest rates expose TCIP to interest rate risk. As of 31 December 2010, if market interest rates on financial assets with variable interest rates were higher/lower by 1%, with all other variables held constant, as a result of higher/lower interest income on financial assets with variable rates, increase in fund reserve would be higher/lower by TL 103,593 (31 Aralık 2009: TL 360).

TCIP does not have any other financial assets or liabilities with variable interest rates.

The analysis of contractual repricing dates of financial assets at the balance sheet dates are as follows:

31 December 2010	Up to 3 months	3 months- 1 year	1-5 years	Over 5 years	Not subject to repricing	Total
Available-for-sale financial assets	26,281,642	15,823,389	-	-	208,271,719	250,376,750
Financial assets at fair value through profit or loss	-	-	-	-	4,247,623	4,247,623
Total	26,281,642	15,823,389	-	-	212,519,342	254,624,373
31 December 2009	Up to 3 months	3 months- 1 year	1-5 years	Over 5 years	Not subject to repricing	Total
Available-for-sale financial assets	105,463	-	-	-	237,659,935	237,765,398
Financial assets at fair value through profit or loss	-	-	-	-	4,041,356	4,041,356
Total	105,463	-	-	-	241,701,291	241,806,754

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

ii. Foreign currency risk

TCIP is exposed to foreign exchange rate risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position (Note 18).

TCIP is exposed to foreign exchange risk primarily with respect to Euro and USD. The foreign currency risk analysis associated with these foreign currencies is as follows:

At 31 December 2010, if Euro appreciated/depreciated by 10% against TL, with all other variables held constant, as a result of foreign exchange losses/gains on the translation of Euro denominated assets and liabilities, net assets would be lower/higher by TL 3,856,351 (31 December 2009: TL 3,201,257).

At 31 December 2010, if USD appreciated/depreciated by 10% against TL with all other variables held constant, as a result of foreign exchange losses/gains on the translation of USD denominated assets and liabilities, net assets would be lower/higher by TL 3,168,473 (31 December 2009: TL 5,089,505).

iii. Price risk

The financial assets of TCIP expose TCIP to price risk.

TCIP's available-for-sale financial assets with fixed interest rate are measured at market value as of 31 December 2010. If market prices increased/decreased by 5%, with all other variables held constant, net assets would be higher/lower by TL 12,518,837 (31 December 2009: TL 11,888,270).

TCIP's financial assets at fair value through profit or loss are measured at market value as of 31 December 2010. If market prices of financial assets at fair value through profit or loss increased/decreased by 5%, with all other variables held constant, net assets would be higher/lower by TL 212,381 (31 December 2009: 202,068).

(b) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements or will be unable to pay amounts in full when due. TCIP's exposure to credit risk arises mainly from banks deposits, financial assets, premium receivables from insurance companies and reinsurers' share of insurance liabilities.

The assets bearing credit risk are analysed in the tables below using the ratings of rating institutions, namely Standard & Poors ("S&P"), Moody's and Fitch:

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

i. Bank deposits

S&P	2010			2009		
	TL	Foreign currency	Total	TL	Foreign currency	Total
B	682,166,291	16,661,314	698,827,605	466,876,609	40,754,690	507,631,299
BB	186,806,366	-	186,806,366	210,714,751	-	210,714,751
Not rated	263,854,310	29,540,945	293,395,255	218,316,161	7,909,649	226,225,810
Total	1,132,826,967	46,202,259	1,179,029,226	895,907,521	48,664,339	944,571,860

Moody's	2010			2009		
	TL	Foreign currency	Total	TL	Foreign currency	Total
P2	431,565,824	-	431,565,824	327,613,755	-	327,613,755
P3	487,032,266	-	487,032,266	376,322,750	-	376,322,750
NP	-	46,202,259	46,202,259	-	48,664,339	48,664,339
Not rated	214,228,877	-	214,228,877	191,971,016	-	191,971,016
Total	1,132,826,967	46,202,259	1,179,029,226	895,907,521	48,664,339	944,571,860

Fitch	2010			2009		
	TL	Foreign currency	Total	TL	Foreign currency	Total
F3	431,565,824	46,202,259	477,768,083	327,613,755	7,909,650	335,523,405
B	487,032,266	-	487,032,266	376,322,750	40,754,689	417,077,439
Not rated	214,228,877	-	214,228,877	191,971,016	-	191,971,016
Total	1,132,826,967	46,202,259	1,179,029,226	895,907,521	48,664,339	944,571,860

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

ii. Available-for-sale financial assets

31 December 2010	Amount	S&P	Moody's	Fitch
Short term - TL	114,998,344	B	-	-
Long term - TL	135,378,406	BB	Ba3	BB
Total	250,376,750			

31 December 2009	Amount	S&P	Moody's	Fitch
Short term - TL	120,337,274	B	-	-
Long term - TL	117,428,124	BB	Ba3	BB
Total	237,765,398			

iii. Premium receivables

	2010	2009
Premium receivables from insurance companies	25,109,583	21,369,404

TCIP has premium receivables from the insurance companies operating in Turkey which are subject to capital adequacy requirements of Treasury, main regulatory body regarding operational and financial activities of insurance companies in Turkey.

TCIP does not have any overdue receivables as of 31 December 2010 and 2009 and no receivable has been overdue during the reporting period, and TCIP management does not expect any losses from non-performance by these insurance companies.

iv. Reinsurers' share of insurance liabilities

TCIP has an excess of loss reinsurance agreement in force via the broker Willis Limited to reinsure insurance risk arising on its earthquake insurance portfolio. Willis Limited is a Lloyd's broker registered in London and authorised and regulated by the Financial Services Authority, the official regulator of all providers of financial services in the United Kingdom.

The above-mentioned reinsurance agreement consists of different layers shared by various reinsurance companies and the reinsurance coverage amounts provided by these reinsurance companies in accordance with terms of the excess of loss reinsurance agreements as of 31 December 2010 and 2009 are as follows:

	EUR		TL	
	Limits to reinsurance coverage		Foreign currency amount equivalent	
	2010	2009	2010	2009
Lower limit	125,000,000	175,000,000	256,137,500	378,052,500
Upper limit	1,650,000,000	1,500,000,000	3,381,015,000	3,240,450,000
Maximum coverage received	1,525,000,000	1,325,000,000	3,124,877,500	2,862,397,500

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

The analysis of the credibility of the reinsurance companies with the highest risk shares with respect to the above-mentioned excess of loss reinsurance agreement and Willis Limited, using the ratings of rating institutions, as of 31 December 2010 and 2009 is as follows:

2010	S&P	Moody's	Fitch
Willis Limited	BBB-	Baa3	-
Swiss RE	A+	A1	-
Scor RE	A	A2	A
Paris RE	AA-	A2	AA
Milli RE	AA	-	B+
Munich RE	AA-	Aa3	AA-

2009	S&P	Moody's	Fitch
Willis Limited	BBB	-	BBB
Swiss RE	A+	A1	A
Scor RE	BBB+	Baa1	BBB+
Paris RE	AA-	-	-
Milli RE	AA	-	-
Munich RE	AA-	-	-

(c) Liquidity risk

TCIP uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets the limits of the minimum level of funds available to meet such liabilities. Cash outflows due to the borrowing payments are managed by considering the amounts of unreserved cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand, sufficient and reliable sources of high quality borrowings are available.

The tables below present a maturity analysis for the TCIP's financial assets and liabilities, on an undiscounted basis, in accordance with relevant maturity groupings based on the remaining period at the balance sheet dates to the expected or contractual maturity date:

Contractual or expected cash flows

31 December 2010	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	No maturity	Total
Assets						
Cash and cash equivalents	1,179,017,092	-	-	-	12,134	1,179,029,226
Financial assets	6,630,769	112,615,197	121,850,161	13,528,246	-	254,624,373
Premium receivables	25,109,583	-	-	-	-	25,109,583
Other assets	21,644,108	50,502,919	-	-	-	72,147,027
Total	1,232,401,552	163,118,116	121,850,161	13,528,246	12,134	1,530,910,209
Liabilities						
Borrowings	-	17,633,545	29,874,033	-	-	47,507,578
Short-term trade payables	20,645,184	63,456,962	-	-	-	84,102,146
Unearned premium reserve	11,607,842	144,757,415	-	-	-	156,365,257
Outstanding claims provision	120,696	755,910	205,856	-	-	1,082,462
Total	32,373,722	226,603,832	30,079,889	-	-	289,057,443

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 4 - MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Contractual or expected cash flows

31 December 2009	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	No maturity	Total
Assets						
Cash and cash equivalents	944,565,683	-	-	-	6,177	944,571,860
Financial assets	22,540,330	101,838,300	117,428,124	-	-	241,806,754
Premium receivables	21,369,404	-	-	-	-	21,369,404
Other assets	21,185,720	49,433,346	-	-	-	70,619,066
Total	1,009,661,137	151,271,646	117,428,124	-	6,177	1,278,367,084
Liabilities						
Borrowings	-	22,310,438	51,021,986	-	-	73,332,424
Short-term trade payables	25,825,780	41,078,794	-	-	-	66,904,574
Unearned premium reserve	11,651,844	141,851,702	-	-	-	153,503,546
Outstanding claims provision	401,051	-	196,438	-	-	597,489
Total	37,878,675	205,240,934	51,218,424	-	-	294,338,033

Fund reserve risk management

TCIP's objectives when managing the fund reserve are to safeguard TCIP's ability to perform claim and borrowing payments including interests and to maximise the accumulation of fund reserve to maintain financial strength of TCIP so that TCIP can meet all commitments under its insurance contracts which are not covered by reinsurance agreements.

NOTE 5 - CASH AND CASH EQUIVALENTS

	2010	2009
Bank deposits	1,179,029,226	944,571,860
Total	1,179,029,226	944,571,860

Bank deposits are further analysed as follows:

Bank deposits in TL		
- demand deposits	105	285
- time deposits	1,132,826,863	895,907,236
Foreign currency denominated bank deposits		
- demand deposits	12,029	5,892
- time deposits	46,190,229	48,658,447
Total	1,179,029,226	944,571,860

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Foreign currencies denominated time deposits are as follows:

	Amount in foreign currency		TL equivalent	
	2010	2009	2010	2009
USD	10,776,145	10,500,785	16,659,920	15,811,032
EUR	14,411,356	15,205,025	29,530,309	32,847,415
Total			46,190,229	48,658,447

Time deposits have maturities less than 3 months (31 December 2009: less than 3 months) and their weighted average annual interest rates are as follows:

	Interest rate per annum_(%)	
	2010	2009
TL	8.9	9.5
USD	3.2	2.7
EUR	1.6	3.6

Foreign currency denominated demand deposits are analyzed as follows:

	Amount in foreign currency		TL equivalent	
	2010	2009	2010	2009
EUR	6,641	3,536	10,267	5,324
USD	860	263	1,762	568
Total			12,029	5,892

Cash and cash equivalents included in the statements of cash flows are as follows:

	2010	2009
Cash and cash equivalents	1,179,029,226	944,571,860
Less: Interest accrued (-)	(12,949,936)	(9,962,375)
Total cash and cash equivalents	1,166,079,290	934,609,485

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 6 - AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
Available-for-sale financial assets		
- Government bonds and treasury bills	250,376,750	237,765,398
Financial assets at fair value through profit or loss		
- Investment funds	4,247,623	4,041,356
Total	254,624,373	241,806,754

The weighted average interest rates of the available-for-sale financial assets are as follows:

	2010 (%)	2009 (%)
Government bonds and treasury bills	6,9	8,5

A portion of marketable securities amounting to TL 42,105,031 (31 December 2009: TL 105,463) have variable interest rates.

The analysis of the financial assets by maturity is as follows:

2010	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No maturity	Total
Government bonds and treasury bills	2,383,146	47,251,413	65,363,784	121,850,161	13,528,246	-	250,376,750
Investment funds	-	-	-	-	-	4,247,623	4,247,623
Total	2,383,146	47,251,413	65,363,784	121,850,161	13,528,246	4,247,623	254,624,373

2009	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	No maturity	Total
Government bonds and treasury bills	593,115	17,906,046	86,595,153	15,242,960	117,428,124	-	237,765,398
Investment funds	-	-	-	-	-	4,041,356	4,041,356
Total	593,115	17,906,046	86,595,153	15,242,960	117,428,124	4,041,356	241,806,754

NOTE 7 - PREMIUM RECEIVABLES

	2010	2009
Premium receivables from insurance companies	25,109,583	21,369,404
Total	25,109,583	21,369,404

The average turnover of TCIP's premium receivables is 1 month (31 December 2009: 1 month). TCIP does not have any impaired or overdue receivables as of 31 December 2010 and 2009.

As of 31 December 2010 and 2009, there are no guarantees received for the receivables.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 8 - OTHER ASSETS

	2010	2009
Excess of loss premiums related to the next year	68,840,194	66,884,900
Brokerage fees related to the next year	3,306,833	3,734,166
Total	72,147,027	70,619,066

Excess of loss premiums and brokerage fees related to the next year consist of the costs of reinsurance coverage received and brokerage fees for the subsequent period according to the reinsurance agreement in force (Note 11).

NOTE 9 - PROPERTY AND EQUIPMENT

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Furniture and fixtures	7,592,439	104,684	-	7,697,123
	7,592,439	104,684	-	7,697,123
Accumulated depreciation				
Furniture and fixtures	(6,880,392)	(326,901)	-	(7,207,293)
	(6,880,392)	(326,901)	-	(7,207,293)
Net book value	712,047			489,830
	1 January 2009	Additions	Disposals	31 December 2009
Cost				
Furniture and fixtures	7,581,883	10,556	-	7,592,439
	7,581,883	10,556	-	7,592,439
Accumulated depreciation				
Furniture and fixtures	(6,475,956)	(404,436)	-	(6,880,392)
	(6,475,956)	(404,436)	-	(6,880,392)
Net book value	1,105,927			712,047

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 10 - BORROWINGS

As of 31 December 2010, borrowings amounting to USD 30,580,996 excluding interest payments (31 December 2009: USD 43,275,304) mediated by Treasury, have been obtained from World Bank in order to cover claims due to a possible earthquake in the future.

	2010	2009
Short-term portion of long term borrowings	19,540,737	21,899,761
Long-term borrowings	28,813,959	44,789,499
Total	48,354,696	66,689,260

The weighted interest rates for USD borrowings as of 31 December 2010 is 5.61% (31 December 2009: 5.55%). The borrowings have semi-annual principal and interest payments in April and October.

The interest rates applied to the borrowings of TCIP are not variable.

The redemption schedule of the long-term bank borrowings is as follows:

	2010	2009
2011	-	18,259,355
2012	11,138,323	10,272,384
2013	9,326,904	8,579,346
2014	8,348,732	7,678,414
Total	28,813,959	44,789,499

The fair values of the borrowings are considered to approximate their carrying values considering the terms of the borrowings obtained from World Bank as of 31 December 2010 and 2009.

NOTE 11 - SHORT-TERM TRADE PAYABLES

	2010	2009
Reinsurance payables (*)	81,808,291	64,860,549
Other	2,293,855	2,044,025
Total	84,102,146	66,904,574

(*) Reinsurance payables consist of the costs of reinsurance coverage to be paid in the subsequent period according to the reinsurance agreement in force (Note 8).

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 12 - INSURANCE PROVISIONS

12.1 Insurance provisions

	2010	2009
Unearned premium reserve	156,365,257	153,503,546
Outstanding claims provision	1,082,462	597,489
Total	157,447,719	154,101,035

12.2 Movements in insurance provisions

a) Unearned premium reserve

	2010	2009
Opening balance - 1 January	153,503,546	133,734,228
Premiums written during the year	319,456,664	322,090,618
Earned premiums during the year (Note 13)	(316,594,953)	(302,321,300)
Ending balance - 31 December	156,365,257	153,503,546

b) Outstanding claims provision

	2010	2009
Opening balance - 1 January	597,489	937,366
Outstanding claim files notified during the year (*)	890,566	389,804
Paid claims and changes in provisions (**)	(405,593)	(729,681)
Ending balance - 31 December	1,082,462	597,489

(*) The amount consists of the claim files opened during the year and not paid as of the year-end.

(**) The amount consists of payments for the outstanding claims as of the beginning of the year and claim files closed without payment during the year.

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOT 13 - ACCUMULATED FUND RESERVE AND FAIR VALUE RESERVE

a) Accumulated Fund Reserve

The movements of Accumulated Fund Reserve in the period are as follows:

	2010	2009
Opening balance - 1 January	1,016,578,079	751,362,641
Net fund reserve increase in the period	246,172,735	265,215,438
Ending balance - 31 December	1,262,750,814	1,016,578,079

According to 16th article of the Decree Law numbered 587 published in the Official Gazette dated 27 December 1999, the resources and accumulated fund reserve of TCIP can only be used in claim payments to policy holders, operational costs for the administration of TCIP and commission payments to the Institution Administrator, reinsurance payments, hedging costs, payments regarding scientific research studies on the subject matters related to TCIP's jurisdiction, consultation payments, payments related to public relations and marketing campaigns, commission payments to authorized insurance companies and payments related to loss adjustment procedures.

Accumulated fund reserve can not be used except for the abovementioned payments and can not be transferred to any other institution.

b) Fair Value Reserve

The movements of fair value reserve in the period are as follows:

	2010	2009
Opening balance - 1 January	859,826	705,688
Disposals arising from sales in the period, net	(854,087)	(690,224)
Additions arising from financial asset purchases in the period, net	4,969,586	844,362
Ending balance - 31 December	4,975,325	859,826

NOTE 14 - EARNED PREMIUMS

	2010	2009
Premiums written	319,456,664	322,090,618
Unearned premium reserve	(156,365,257)	(153,503,546)
Prior year unearned premium reserve	153,503,546	133,734,228
Total	316,594,953	302,321,300

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOT 15 - COST OF REINSURANCE COVERAGE

	2010	2009
Excess of loss reinsurance agreement premiums	80,652,938	71,058,928
Excess of loss reinsurance agreement adjustment premiums	17,515,230	4,464,214
Brokerage fees related to excess of loss reinsurance agreements	4,395,534	4,102,833
Total	102,563,702	79,625,975

NOTE 16 - INCURRED CLAIMS

	2010	2009
Claims paid in the period	1,206,430	588,081
Outstanding claims provision at the year-end	1,082,462	597,489
Prior year outstanding claims provision	(597,489)	(937,366)
Total	1,691,403	248,204

NOTE 17 - COMMISSION EXPENSES

	2010	2009
Commissions paid to insurance companies	52,975,996	55,635,009
Deferred commission expense	(26,230,661)	(26,053,643)
Prior year deferred commission expense	26,053,643	22,335,589
Total	52,798,978	51,916,955

NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Advertisement expenses	4,316,032	5,327,974
Administrator expenses	3,595,149	4,416,921
IT expenses	1,185,502	732,721
Depreciation expenses (Note 9)	326,901	404,436
Stationery expenses	278,796	191,609
Personnel expenses	221,565	207,146
Other	348,164	272,177
Total	10,272,109	11,552,984

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 19 - FINANCIAL INCOME, NET

	2010	2009
Interest income	93,632,142	93,271,269
Marketable securities sales income	19,078,774	34,923,539
Net foreign exchange gains	2,255,583	-
Total financial income	114,966,499	128,194,808
Withholding taxes paid for financial income	(15,687,857)	(16,873,384)
Interest expenses	(2,374,668)	(2,954,980)
Net foreign exchange losses	-	(2,128,188)
Total financial expenses (-)	(18,062,525)	(21,956,552)
Financial income, net	96,903,974	106,238,256

NOTE 20 - FOREIGN CURRENCY POSITION

The assets and liabilities denominated in foreign currencies are as follows:

	2010	2009
Assets	46,202,258	48,664,339
Liabilities	(130,167,892)	(131,571,953)
Total	(83,965,634)	(82,907,614)

	Amount in Foreign Currency	2010 Foreign Exchange Rate	Amount TL
Cash and cash equivalents			
USD	10,782,786	1.5460	16,670,187
EUR	14,412,216	2.0491	29,532,071
Total			46,202,258
Short-term trade payables			
EUR	39,926,298	2.0491	81,812,977
USD	142	1.5460	219
Total			81,813,196

TURKISH CATASTROPHE INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2010

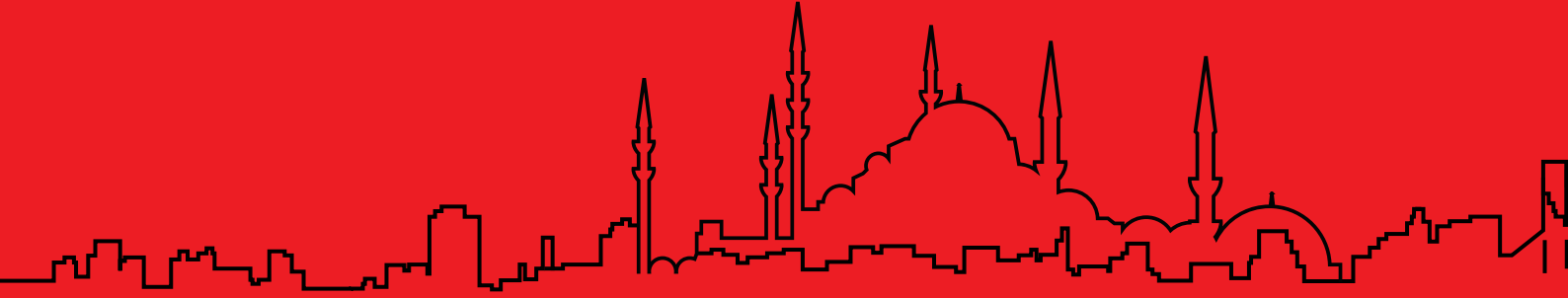
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

NOTE 20 - FOREIGN CURRENCY POSITION (Continued)

	Amount in Foreign Currency	2010 Foreign Exchange Rate	Amount TL
Short-term portion of long-term borrowings			
USD	12,578,524	1.5535	19,540,737
Total			19,540,737
Long-term borrowings			
USD	18,547,769	1.5535	28,813,959
Total			28,813,959
	Amount in Foreign Currency	2009 Foreign Exchange Rate	Amount TL
Cash and cash equivalents			
USD	10,504,321	1.5057	15,816,356
EUR	15,205,288	2.1603	32,847,983
Total			48,664,339
Short-term trade payables			
EUR	29,880,015	2.1707	64,860,549
USD	14,707	1.5057	22,144
Total			64,882,693
Short-term portion of long-term borrowings			
USD	14,544,571	1.5057	21,899,761
Total			21,899,761
Long-term borrowings			
USD	29,746,629	1.5057	44,789,499
Total			44,789,499

NOTE 21 - PROVISIONS AND CONTINGENT LIABILITIES

As of 31 December 2010, the total risk of litigation claims pending against TCIP amount to TL 940,870 (31 December 2009: TL 196,438). The total estimated ultimate cost of settling such litigation claims are provided for under claims provision in the balance sheet.



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