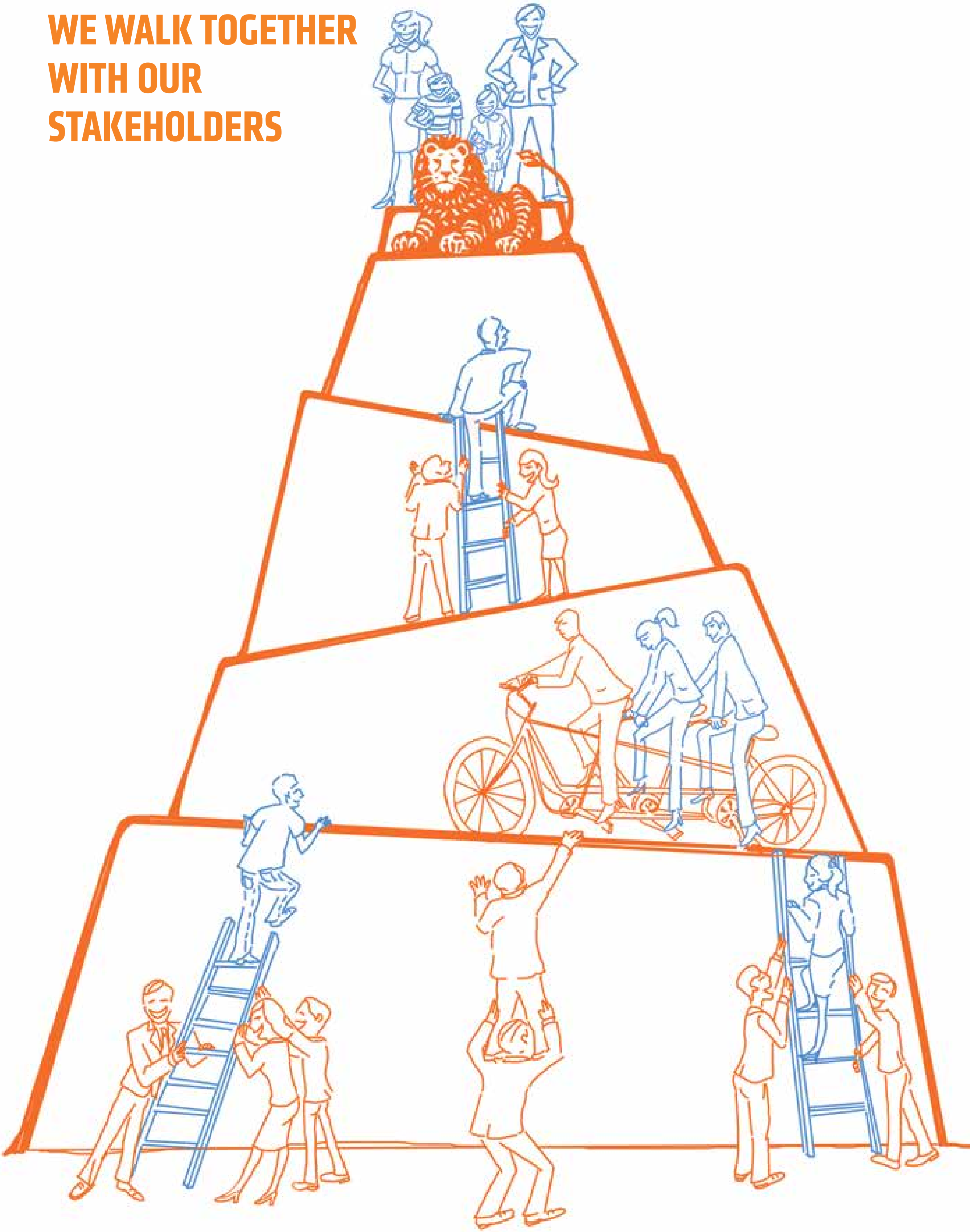
WE WALK TOGETHER WITH OUR STAKEHOLDERS



ING Emeklilik A.Ş. 2011 Annual Report

ING EMEKLİLİK

CONTENTS

TOWARDS A STRONGER FUTURE TOGETHER WITH YOU

Striving to build together a path to a safe and happy future, ING Emeklilik has experienced a fast-paced growth momentum in 2011, a year that was marked as one of the most successful in its history.

Having further improved its customer relations according to the "Customer Golden Rules", ING Emeklilik has created a noteworthy difference in the private pension sector by expanding its "Net Promoter Score" program.

ING Emeklilik has created a steadily improving and growing value chain together with its customers, shareholders, employees and distribution partners and has taken a major step toward realizing its aim to become Turkey's leading pension company in 2011.

OUR MISSION

Setting the standard in helping our customers manage their financial future.

OUR VISION

Being a company that is aware of its social responsibilities to the community at large,is preferred by its employees to whom it provides incentives and one that fulfills its promises to its participants.

OUR PRINCIPLES

We are committed to our integrity.
We aim for an above the average return.
We are open and clear.
We promote sustainable development and respect human rights.
We respect each other and the public.
We are involved in the communities we operate in.

Our principal asset is our customers

Being one of a few private pension and life insurance companies that apply Net Promoter Score (NPS) in Turkey, ING Emeklilik pays close attention to its customers' expectations and needs as well as aiming to maximize customer satisfaction.

Selling life insurance policies as from March 10, 2010 and personal accident insurance policies as from August 16, 2010, ING Emeklilik is offering its services throughout Turkey, backed up by the experience and dynamism of the Dutch originated ING Group with its 85 million clients in over 40 countries.

ING EMEKLİLİK IN BRIEF

ING Emeklilik A.Ş., which operated as the first and only company in Turkey to carry out pension activities exclusively until 2010, was established on January 23, 2003 under the name Oyak Emeklilik, after securing the establishment license on January 17, 2003. It was granted the activity license on July 7, 2003, and it commenced operations as of October 27, 2003.

ING Group and Oyak Group reached an agreement on June 19, 2007, for the sale of one hundred per cent shares of Oyak Emeklilik to ING Group; and upon the transaction being approved by the General Directorate of Insurance of the Undersecretariat of the Treasury on November 25, 2008, the acquisition was completed on December 4, 2008, and Oyak Emeklilik was fully integrated into ING Group. Since January 27, 2009, the Company has conducted activities under the name of ING Emeklilik A.Ş.

The Company has applied to the General Directorate of Insurance at the Undersecretariat of Treasury on December 9, 2009 upon the completion of all the preparatory stages in order to grant an activity license in the life insurance product group. The Company started to offer life insurance products as of March 10, 2010 and personal accident insurance policies on August 16, 2010.

As of December 31, 2011, in addition to its Headquarters, ING Emeklilik has served at four liaison offices with 150 employees.

ING Group is among the leading international financial institutions offering banking, asset management, life insurance and pension services and a wide array of products to private and corporate clients.

With 85 million clients and 100,000 employees in over 40 countries in Asia, the United States, Europe and Australia, the Dutch origined ING Group has started offering its services to Turkey, with its fast growing economy, the dynamism brought about by the European accession preparations, and the demographic features represented by the young population; the Company has thus laid the foundations to offer integrated solutions in the financial services market.

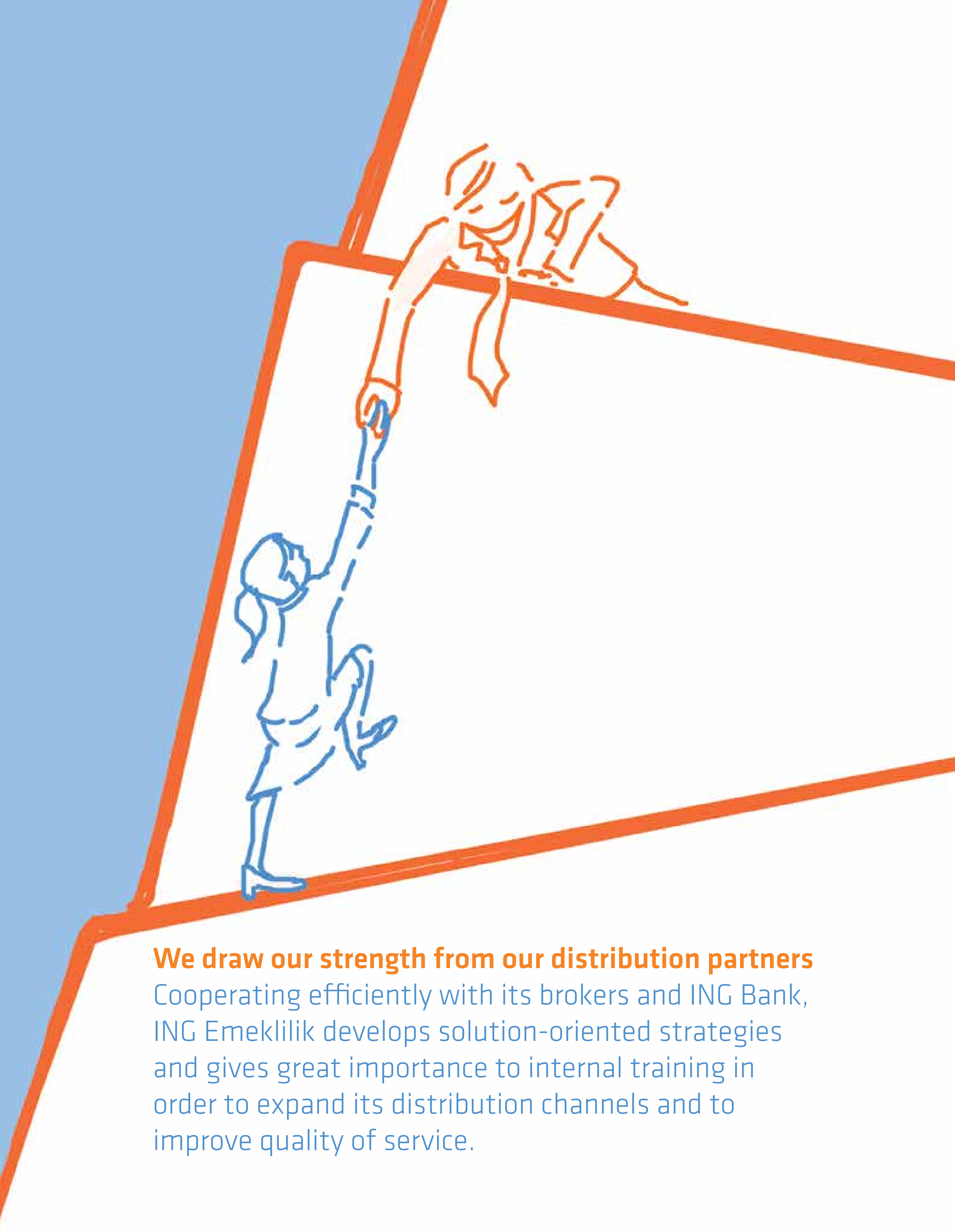
2003
Incorporation
Start of pension sales

2008
The Company is taken over by ING

2009
The Company is renamed ING Emeklilik

2010
Start of credit life insurance sales
Start of personal accident insurance sales

2011
Start of annual term life insurance sales



We draw our strength from our distribution partners

Cooperating efficiently with its brokers and ING Bank, ING Emeklilik develops solution-oriented strategies and gives great importance to internal training in order to expand its distribution channels and to improve quality of service.

With the approval of the General Directorate of Insurance of the Undersecretariat of the Treasury on November 25, 2008, the sale transaction was completed on December 4, 2008; ING Emeklilik demerged from Ordu Yardımlaşma Kurumu (OYAK) and was acquired by ING Continental Europe Holdings B.V.

SHAREHOLDING STRUCTURE

On December 4, 2008, Oyak Emeklilik A.Ş. was acquired by ING Continental Europe Holdings B.V. after demerging from Ordu Yardımlaşma Kurumu (OYAK) with the approval of Undersecretariat of Turkish Treasury - Directorate of Insurance on November 25, 2008. The commercial title of the Company was decided to be changed as ING Emeklilik A.Ş. with an amendment to the articles of association at the ordinary general meeting of shareholders on January 26, 2009. The related decision and the amendment were registered on January 27, 2009 in conformity with Turkish Commercial Code numbered 6762. The shareholding structure of the Company as of December 31, 2011, is presented below:

SHAREHOLDER	NUMBER OF SHARES	TOTAL
ING Continental Europe Holdings B.V.	48,999.996	TL 48,999,996.00
ING Verzekeringen Intertrust II B.V.	1	TL 1
ING Verzekeringen Intertrust III B.V	1	TL 1
ING Verzekeringen Intertrust IV B.V.	1	TL 1
ING Verzekeringen Intertrust V B.V.	1	TL 1

We develop our business as well as our employees

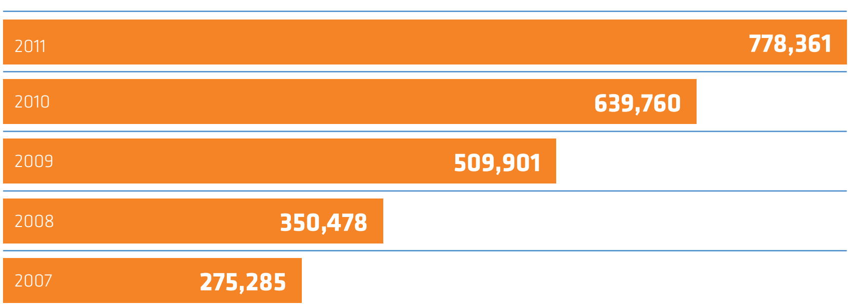
Considering the personal and career development of its employees as the most important factor contributing to the Company's success, ING Emeklilik is ranked first in ING's Employee Satisfaction Survey (WPC-Winning Performance Culture) for the Central and the Rest of European Zone.

In 2010, ING Emeklilik attained assets under management of TL 639.76 million and as a result of the successful performance shown in 2011 total assets under management increased to TL 778.361 million.

FINANCIAL INDICATORS (TL THOUSAND)

	2011	2010
Assets Under Management	778,361	639,760
Paid-in Capital	50,160	46,160
Shareholders' Equity	23,721	27,616
Total Assets	859,225	697,842
Technical Income	67,212	46,872
Technical Profit/Loss	(8,504)	(1,841)
Non-technical Profit/Loss	892	(182)
Profit/Loss before Tax	(7,612)	(2,023)

AUM (TL THOUSAND)

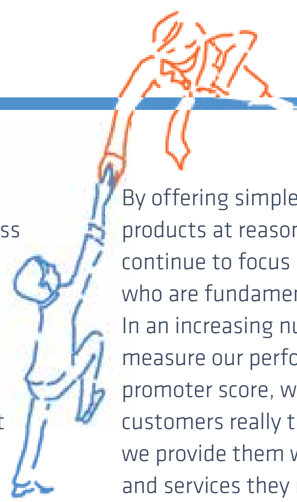


We are continually increasing the value created for our shareholders

As the third fastest growing company amongst ING companies worldwide, ING Emeklilik has steadily increased the value it created for its shareholders every year.

In 2011, some of Euro Zone countries faced strong headwinds, whereas Turkey still is an attractive market and coming years even forecasted as one of the world's fastest growing economies.

MESSAGE FROM THE CHAIRMAN



Against the backdrop of a deteriorating European economy and the increasing turmoil in the financial markets, ING Group reported good performance in 2011. However, last year was an exceptional year for ING. We took decisive and important steps in the restructuring process we initiated in 2009 e.g. we sold ING Direct USA and ING Insurance Latin America as imposed by the European Commission. Since January 1, 2011, ING Insurance/ Investment Management has been operating as a separate business from ING Bank. Furthermore, a lot of work was done to prepare for the original base case of two initial public offerings (IPO): one for the US operations and one for our European and Asian activities.

Due to uncertain economic outlook and volatile financial markets, we announced a change of plans in January 2012, with regard to the divestment of our insurance and investment management business. We have decided to review other options for our Asian insurance and investment management business.

For the European insurance and investment management business we will continue preparations for a stand-alone future, including the possibility of an IPO. As for the US, we continue to prepare for the base case of an IPO for the US insurance and investment management business.

With nine countries, Insurance Central and Rest of Europe is a very diverse region, with different macroeconomic developments. In 2011, some of Euro Zone countries faced strong headwinds, whereas Turkey still is an attractive market and coming years even forecasted as one of the world's fastest growing economies. For ING Insurance Central and Rest of Europe Turkey is a growth market with impressive potential. That is why we acquired the pension fund in 2009 and started the new Life Insurance business line in 2010. Currently we are investing in developing new distribution channels and products.

By offering simple and transparent products at reasonable prices we continue to focus on our customers, who are fundamental to our business. In an increasing number of countries we measure our performance using the net promoter score, which tells us what our customers really think of us and whether we provide them with the products and services they need. The real test is whether they would recommend ING to family and friends.

In 2012, we will make every effort to continue to deliver good performance. The customer remains pivotal to our operations. Our focus is also on continuing to manage and reduce risks and bolstering the capital position.

Yours sincerely,

David Engel Knibbe
Chairman

We continued to grow our client base to more than 500,000 by the end of the year, which was almost three times of what it was at the beginning of 2010.

MESSAGE FROM THE CEO

In 2011, we continued our strategy based on projects for our stakeholders. For our customers, we successfully introduced new life insurance products and leveraged our excellent fund performance in pensions.

We continued to grow our client base to more than 500,000 by the end of the year, which was almost three times of what it was at the beginning of 2010. We now have a 2% share of the life market and expect to grow that share significantly in 2012.

In managing risks in our enterprise, we deployed all major ING standards and increased our risk portfolio to a more mature company. An important achievement was the ISO 27000 certification, which shows that the Company has a much more secure IT environment than before.

Our relationship with the bank was, and is still very good, thanks to specific campaigns that were created to attract new funds from the market. The total AuM grew by 26%. Our second distribution channel which is independent broker network grew again spectacularly (48% in new business) and has now become the most important generation of new business. We give our brokers continuous support in training, service, products and relationship. A new initiative to set up Joint Ventures with them proves not only to be a success in terms of creating commercial opportunities, but also enabling them to maintain a great reputation in the market, in which ING is the biggest player.

Our employees at ING Emeklilik are very energetic, engaged and productive. Not only we do invest heavily in training, but we make sure that we provide them the appropriate working environment where they can enjoy their work and have fun at the same time. Our engagement score increased from 69% to 81%, which makes the Company with the most engaged employees within the ING Group. The overall spirit in the Company very positive and optimistic therefore the MT members of our Company are very grateful to be able to work with such dedicated group of employees.

As for the financials, we met all major goals; top and bottom line, but also in net flow of our portfolio, value of new business and our total number of clients. Overall, we are very thankful for the ever increasing trust that our existing and new customers put in ING Emeklilik.

Best Regards,

Jetse Frederik de Vries
CEO

ING CUSTOMER GOLDEN RULES

ING strives to meet customer needs throughout their life cycle.

ING offers fair value to customers.

ING explains the risks, returns and costs of our products and services.

ING regularly assesses products, services and sales practices.

ING works only with professional and licensed distributors.

In 2010, countries such as China, India and Turkey stood out among developing countries by attaining a growth performance rate of between 9 and 10%, while in 2011 China reached a growth rate over 9% and Turkey achieved an 8.5% growth performance.

A LOOK AT THE WORLD ECONOMY AND TURKISH ECONOMY IN 2011

THE WORLD ECONOMY

Having attained a 5.2% growth in 2010, after the 0.7% contraction in 2009, the world economy has been the morale booster for global investors and international economic environment through attaining a growth trend close to the pre-global crisis growth performance of 6%. However, the risk of 'Second Recession' increasingly affecting primarily the Euro Zone as from early 2011 and the double dip recession evaluations by the well-known economists were actualized during the second half of 2011, thus the growth performance of the global economy showed a 3.8% loss of momentum during the year.

The Euro Zone attained a 1.9% growth performance in 2010 and managed to retain it to a certain extent with 1.6%, and is anticipated to be exposed to a shrinkage of 0.5% during 2012 due to the increasing recession pressure as from the second half of 2011. This recession risk is inducing also the rise of a Euro Zone unemployment rate over 10%.

As the leading force of the world economy, the US economy attained a growth of 3% in 2010, but showed a decrease to 1.8% in growth performance during 2011 due to the persistent unemployment problem of white-collar workers and the stagnation in the manufacturing and housing sector. It is expected to grow by 1.8% in 2012. On the other hand, it may be noted that the unemployment data of the US economy shows a partial upturn, in contrary to the Euro Zone, a decrease down to 8.5% as of end 2011. Yet, it is important to note that such a fall is mainly due to an increase in the temporary labor force.

Depending on the constraints on growth in developed economies, the world economy is expected to attain 3.3% growth in 2012, similar to Italy and Spain that grew by 0.4% and 0.7%, respectively, in 2011 and are expected to be contracted by 2% in 2012. The growth rate attained by developed economies was 3.2% in 2010, fell down to 1.6% in 2011 and are estimated to be 1.2% in 2012.

On the other hand, the 11 developing countries in the G-20 contributed significantly towards growth in the world economy in 2010. Growing by 7.3% in 2010, these preeminent developing economies realized a growth at 6.2% in 2011 that is 3.9 times of the growth performance of developed countries.

In 2010, countries such as China, India and Turkey stood out among developing countries by attaining a growth rate of between 9 and 10%, while in 2011 China reached a growth rate over 9%, Turkey achieved an 8.5% growth performance and India grew by 7.4%. Having grown by 7.5% in 2010, Brazil failed to maintain its performance and showed 2.9% growth in 2011. Leading developing countries are expected to realize 5.4% growth in 2012. Albeit China is estimated to grow 8.2% in 2012, the Chinese government announced the expected growth rate for 2012 as 7.5%. This growth data yielded a certain downstream pressure on commodity prices, with the exception of oil prices.

In 2011, global commodity prices, mainly gold and oil prices, exhibited a rather fluctuating course and accordingly the demand inflation value in the leading developing economies reached 7.25% in 2011. Although the rate of increase in consumer prices in the global economy was expected to fall to 1.25% in 2011, the global inflation rate was realized as 2.75% as of end 2011 due to the upward fluctuation in global commodity prices. In 2012, it is expected the inflation rate will fall to 6.25% from 7.25% as of end 2011 as a result of relatively decreasing global commodity prices.

A fact to be taken into consideration is that the fluctuation in the global commodity prices ensued from maintenance of expansionary monetary policy as preferred by developed countries' central banks led by the FED of the US, the reduction of policy interest down to 1% and the amount facilitation up to € 1 trillion following the change in management of the European Central Bank (ECB) in 2011. However, the expansionary monetary policy preference by the central banks was not effective enough to eliminate the risk of second recession and to prevent the emergence of a gloomier global economic environment in 2012.

8.5%

In 2011, Turkey attained a growth performance of 8.5%.

7.25%

In 2011, the inflation rate of developing economies reached 7.25%.

Despite the reduction in the GDP down to USD 617 billion in 2009 due to the global crisis, Turkey managed to increase the GDP-figure up to USD 735 billion in 2010, followed by USD 766 billion in 2011.

A LOOK AT THE WORLD ECONOMY AND TURKISH ECONOMY IN 2011

TURKISH ECONOMY

Acting late in taking macroeconomic measures with the purpose to absorb the foreshocks of the global crisis that hit the world economy during the last quarter of 2008, the Turkish economy tolerated negative growth, that is a contraction in terms of growth in GDP. It contracted by 14.7% during the first quarter of 2009 as result of suspension of the implementation of efficient macroeconomic measures until beginning of second quarter of the same year. Owing to efficient monetary and fiscal policy measures, the economic contraction was realized as 7.8% during the second quarter of 2009 and reduced down to 2.8% during the third quarter.

The implementation of a successful measures package enabled the Turkish economy to attain a growth trend of 5.9% during last quarter of 2009, after four quarterly periods, and with a growth rate of 9% it ranked fourth highest-growing economy in the preeminent developing economies, particularly in the G-20 countries, after China, India and Argentina.

Achieving 8.5% growth performance in 2011, the Turkish economy surpassed India and ranked third highest-growing economy in the G-20 countries, after China and Argentina.

Turkey realized its growth performance in 2010 and 2011 based on domestic demand. In 2011 only, private sector investments increased by 22.3% in real terms. Despite the reduction in the GDP down to USD 617 billion in 2009 due to the global crisis- which was USD 742 million in 2008 - Turkey managed to increase the GDP-figure to USD 735 billion in 2010, and to USD 766 billion in 2011. With its GDP expected to increase to USD 822 billion 2012, the Turkish economy maintains is position as the 16th largest economy in the world.

In 2010, private sector investments reached USD 109 billion and rose to USD 135 billion in 2011 which are expected to reach USD 150 billion in 2012. As regards to domestic savings, required for Turkey's economic growth, marginal propensity to save decreased to 13% as of 2011.

With the intent of increasing marginal propensity to save up to 16% within three years from 2012, the Economy Management structured the Savings Incentive Package that will introduce additional tax incentives to the Private Pension System, to a large extent at year-end 2011. It is anticipated that total financial assets (total savings reserve in money and capital market financial instruments) held by the Turkish public has reached USD 650 billion in 2011, over USD 631 billion as of end 2010.

The underlying reason for such increase is the strong consumption expenditure trend of the Turkish household. Real increase in household consumption expenditures has been 6% consecutively in 2010 and 2011 that is above the rate of increase in all EU member countries. Real household consumption expenditure increase rate in Euro Zone was 0.35% in 2008, 0.91% in 2010 and showed real contraction at 0.4% in 2011.

Such high rate of growth in the Turkish economy together with high private sector consumption and investment

expenditures performance brought the current account deficit of the Turkish economy from USD 47 billion in 2010 up to USD 77 billion in 2011. USD 22 billion among total deficit of USD 77 billion is attributable to the increase in oil and natural gas prices.

Current accounts deficit that rose to -9.4% in 2011, compared to GDP, was realized as -5.7% in 2008, -2.3% in 2009 and -6.5% in 2010. Strong economic growth as well as the increase in energy import costs played a remarkable role in 3 point increase in 2011.

Accordingly, the Economy Management put into effect an economic policy that observes both the financial stability and price stability concurrently with a heterodox money policy as from December 2010. As a result of such measures, the current accounts deficit reduced to USD 77.2 billion as of year-end 2011 from the cumulative figure of USD 78.6 billion as of end of october 2011. The current accounts deficit amounted to USD 47 billion as of end 2010. The Economy Management aims to bring the current account deficit down to USD 65 billion in 2012, while reducing the current deficit/GDP rate to 8%.

Through the money and fiscal policy measures taken in 2011, the share of short-term capital movements in financing of the current account deficit has decreased while the influence of foreign capital investments and medium and long-term capital movements has increased. Being realized slightly over USD 9 billion in 2010, foreign investment inflow increased to USD 15.7 billion at the end of 2011. For 2012, foreign capital investments are anticipated to reach USD 20 billion, by means of a new incentive system that will take effect in 2012 and the 'Reciprocity Law' that will pave the way for foreign capital to make real estate investments.

In line with the dynamism of the Turkish economy, the annual inflation rate increased to 10.45% at the end of 2011 from 6.5% in 2009 and 2010. The Turkish Central Bank announced its decisiveness to adhere to its aim to reduce annual inflation rate to 5% at the end of 2012. Accordingly, interest rates rose to the range of 9.3 and 10.5% in 2011 over 7.9% in 2010 and are expected to drop back to a level of 8% at the end of 2012.

Fiscal discipline and the capital adequacy of the banking sector are two indicators where the Turkish economy is shining and is very effective compared to all Euro Zone countries, even to the 27 EU countries. The budget deficit rate that increased to -5.4% from -1.8% during the global crisis decreased to the level of -3.63% and -1.36% in 2010 and 2011, respectively. Considering that the EU's budget deficit/GDP criterion is at -3% level, these figures show a remarkable success in fiscal discipline.

As regards to the EU-defined public net debt stock rate and considering that the EU-defined public net debt stock/GDP ratio should be equal and less than 60%, Turkey's rate rose to 46% in 2009 from 40% in 2008 and then fell back to 42% in 2010 and to 39% in 2011, while Greece was saved from bankruptcy and many EU member states fell on hard times due to public net debt stock. Turkey exhibited a flawless performance in terms of two Maastricht criteria. The banking sector capital adequacy maintained its position at 16% which is currently satisfying both Basel II and Basel III criteria.

ING Emeklilik's market share in 2011 was 6.59% in terms of the number of contributors and 6.55% in the number of contracts and certificates.

PRIVATE PENSION INDUSTRY

SECTORAL DEVELOPMENTS IN 2011

By year end 2011 the total number of contributors in the Private Pension System reached 2.7 million with total contributions of TL 12.3 billion. While the number of contributors increased by 16%, total contributions collected rose by 30% compared to end 2010. Meanwhile, total assets under management of all contributors increased by 19% and reached TL 14.3 billion.

These figures indicate respective growth rates of 5% in number of contributors, 32% in total contributions and 21% in assets under management, compared to end 2010.

According to 2011 year-end sector figures, the Company's market shares are as follows:

- Number of contributors: 6.59%,
- Number of contracts and certificates: 6.55%,
- Contribution collection: 5.38%,
- Amount directed to investment: 5.38%,
- Assets under management: 5.41%.

As of December 23, 2011 ING Emeklilik has increased its:

- Total number of contracts and certificates to 193,121,
- Number of contributors to 174,519,
- Total contributions to TL 663.44 million, and
- Assets under management to TL 773.72 million.

	MARKET SHARE	
Number of contributors	6.59%	174,519
Number of contracts and certificates	6.55%	193,121
Contribution collection	5.38%	663,438,134
Amount directed to investment	5.38%	643,792,054
Assets under management	5.41%	773,723,466

PENSION FUNDS' BENCHMARKS AND PERFORMANCE

The table below displays the index-based benchmarks for ING Emeklilik's eight pension funds and investment limitations of financial instruments that are in the funds' portfolios.

FUND NAME	BENCHMARK	INVESTMENT STRATEGY	LIMITATIONS
Government Bonds and Bills Income PMF	20% KYD DİBS 182 Index	Government Bonds and Treasury Bill	70% - 100%
	65% KYD DİBS 365 Index	Reverse Repo	0% - 30%
	12% KYD O\N Repurchase (gross) Index	Eurobond	0% - 10%
	1% KYD Eurobond (USD-TL)	Deposit	0% - 20%
	1% Average deposit yield of five banks for one month	Share Certificates	0% - 10%
	1% ISE 100 Index	Private Sector Bonds	0% - 10%
Flexible Income PMF	20% KYD FX DİBS (USD-TL) Index	Eurobond	5% - 35%
	20% KYD Eurobond (EURO-TL) Index	FX Government Bond/Treasury Bill	5% - 35%
	18% KYD O\N repurchase (gross) index	Reverse Repo	0% - 30%
	40% KYD DİBS 182 Index	Government Bond/Treasury Bill	25% - 55%
	1% IE 100 Index	Share Certificates	0% - 30%
	1% Average deposit yield of five banks for one month Deposits	0% - 20%	0%-20%
		Private Sector Bonds	0% – 10%
Composite Growth PMF	40% ISE 100 Index	Government Bond/Treasury Bill	35% - 65%
	50% KYD DİBS 182 Index	Share Certificates	25% - 55%
	8% KYD O\N repurchase (gross) index	Reverse Repo	0% - 20%
	1% KYD Eurobond (USD-TL)	Eurobond	0% - 10%
	1% Average deposit yield of five banks for one month Deposits	0% - 20%	0%-20%
Stock Growth PMF	Share Certificates 80% - 100%	Share Certificates	80% -100%
	7% KYD O\N repurchase (gross) index	Reverse Repo	0% - 20%
	1% KYD Eurobond (USD-TL) Index	Eurobond	0% - 10%
	1% Average deposit yield of five banks for one month Deposits	0% - 20%	0%-20%
	1% KYD DİBS 182 Index	Government Bond/Treasury Bill	0% - 10%
Liquid PMF	84% KYD O\N repurchase (gross) index Government Bond/Treasury Bill	0% - 30%	0%-30%
	15% KYD DIBS 30 Index	Reverse Repo	70% - 100%
	1% Average deposit yield of five banks for one month Deposits	0% - 20%	0% -20%
		Private Sector Bonds	0% - 10%
Flexible PMF	75% KYD DİBS 182 Index Government Bond/Treasury Bill	60% - 90%	60%-90%
	15% ISE 100 Index	Share Certificates	0% - %30
	8% KYD O\N repurchase (gross) index	Reverse Repo	0% - %30
	1% Average deposit yield of five banks for one month Deposits	0% - 20%	0%-20%
	1% KYD Eurobond (USD-TL) Index	Eurobond	0% - 10%
		Private Sector Bonds	0% - 10%
Government Bonds and Bills PMF	20% KYD DİBS 365 Index	Government Bond/Treasury Bill	80% – 100%
	60% KYD DİBS 182 Index	Share Certificates	0% - 10%
	1%7 KYD O\N repurchase (gross) index	Reverse Repo	0% - 30%
	1% ISE 100 Index	Eurobond	0% - 10%
	1% KYD Eurobond (USD-TL) Index	Deposits	0% - 20%
	1% Average	Private Sector Bonds	0%- 10%
Flexible Growth PMF	30% ISE 100 Index Share Certificates	15% - 45%	15%-45%
	35% KYD DİBS 182 Index	Government Bond/Treasury Bill	50% - 80%
	25% KYD DİBS 365 Index	Reverse Repo	0% - 30%
	9% KYD O\N repurchase (gross) index	Deposits	0% - 20%
	1% Average deposit yield of five banks for one month		

In 2011, ING Pension Funds achieved 1.31% weighted average performance and the sectoral funds at 0.05%.

The debt related problems originating from Greece penetrated into the EU member states and resulted in the negative performance of the ISE index as of August 2011. In 2011, ING Pension Funds achieved 1.31% weighted average performance and while sector average was 0.05%. With its 2011 weighted average fund performance ING Emeklilik ranked among the best performing companies in the sector.

The year 2011 was a year when the ISE made a loss of 22.33% on average for its investors. During this year, the ING Emeklilik Stock Growth PMF, which is mandated to invest at least 80% of its assets in stocks, showed a (19.94%) performance while the pension funds investing in financial assets of the type performed at (23.42%).

An analysis of 2011 returns of bond funds that invest in mid to long-term assets reveals that the benchmark interest rate, which was 7.11% at the beginning of the year, closed the year at 11.17% while the Government Bonds and Bills PMF was one of the top three performers in the sector with a return of 5.5%. In the same year, the Government Bonds and Bills Income Fund yielded 3.6%. As a result of attaining annual inflation rate of 10.45%, especially owing to 3.27% realized in October 2011, the funds that invest mainly in inflation-indexed papers for their portfolios (Government Bonds and Bills PMF, Government Bonds and Bills Income Fund) have performed well above the market.

While the sector leader in liquid funds that invest in short-term fixed income assets recorded a return of 6.85%, ING Emeklilik Liquid PMF yielded a 5.87% return in 2010.

The average return of the balanced group of funds that invest in mid to long term assets as well as the equity market was (3.96%) in 2011, while ING Emeklilik Composite Growth PMF yielded (5.32%) and Flexible Growth PMF and Flexible PMF, both in the same group of funds, yielded 0.89% and 1.16%, respectively.

5.5%

ING Emeklilik Public Sector Borrowing Instruments PMF was one of the top three performers in the sector with a return of 5.5%.

3.6%

ING Emeklilik Bond-Bill Fund yielded a 3.6% return in the environment where funds that invest mainly in inflation-indexed papers for their portfolios showed a performance well-above the market.

ING Emeklilik launched the Net Promoter Score (NPS) program, a brand new system designed to measure customer loyalty, a basic metric of profitable growth.

CUSTOMER COMMUNICATION CENTRE

CUSTOMER COMMUNICATION CENTRE ACTIVITIES

As per its strategic objective of customer focused growth, ING Emeklilik informs and responds to the requests of its clients through multiple communications channels equipped with cutting edge technology and offers wide range of products and services. The ING Emeklilik Customer Communication Centre, which is reachable at 444 1 666, is serving callers and contributors who visit the Head Office, with an interactive voice response (IVR) system.

The primary functions of the Customer Communication Centre are; to offer basic information about customer/product/service processes; introduce the Company or its products, respond to information queries, and complete change requests received via the website and forward them to the relevant departments and engage in retention activities. The Centre also resolves customer complaints received through various means as per the "Complaint Management Procedure".

The Customer Communication Centre comprises seven divisions: Inbound, Outbound, Sales, Persistency, Quality and Training, Customer Satisfaction and NPS. The inbound team responds to calls from customers to meet all customer requests and forward issues to relevant departments as needed. The process manager performs the reporting and supervision of the Customer Communication Centre operations. The inbound team is also responsible for responding to customer queries received via the website.

The outbound team contacts customers to inform them about promotional campaigns and other matters. Moreover, calls are made on the contribution increases and calculation of estimated future fund investments. The sales team is responsible for offering products to contributors, while the Welcome Team, makes "Welcome Calls" to all customers with private pension, personal accident and annual term life insurance contracts, in keeping with "ING's Golden Rules of Customer Service". In line with the Company's customer retention policies, all contributors who wish to exit the system are called by the Persistency Team to convince them otherwise. The Quality Team aims to improve and maintain the discussion quality of the call center. The Customer Communication Centre operates between 09:00 and 18:00 on weekdays.

CUSTOMER SATISFACTION AND COMPLAINT HANDLING

Client complaints are received at the Customer Communication Centre either directly or through the intermediaries. The core principle of ING Emeklilik vis-à-vis customer complaints is to ensure customer satisfaction by informing customers about the issue in writing or verbally within two working days and by resolving the complaint or the demand within five days.

In 2010, ING Emeklilik launched the Net Promoter Score (NPS) program, a brand new system designed to measure customer loyalty, a basic metric of profitable growth that was successfully maintained in 2011 as well. The Customer Communication Centre contacts the customers to discuss the results of surveys sent to them regarding six primary touch points and strives to resolve the issues of dissatisfaction brought to light by detractors via a process that involves all employees. The goal of post-survey contacts is to convert dissatisfied customers who are unhappy with ING Emeklilik services (detractors) to satisfied customers (promoters) that recommend ING Emeklilik to their friends and family.

At the beginning of 2011, ING Emeklilik introduced annual term life insurance products in a package together with emergency health assistance, supplementary coverages for critical illnesses and for unemployment to its customers via brokers and banks.

R&D FOR NEW SERVICES AND ACTIVITIES AND PROJECTIONS FOR 2012

R&D FOR NEW SERVICES AND ACTIVITIES

The transformation from pension company into the pension and life insurance company, launched by ING Emeklilik in 2010, was completed in 2011 with the introduction of personal and group annual term life insurance products. At the beginning of 2011, ING Emeklilik introduced annual term life insurance products in a package together with supplementary benefits such as emergency health assistance, insurance against critical illnesses and unemployment insurance to its customers via its marketing channels comprising of brokers and banks. During the year, the packages were updated and supplemented in line with customers' needs.

Besides, the Company completed the necessary base for group personal accident insurance and group life insurance products during 2011 and introduced these products to its customers early 2012. Thus, a package of solution was created for employers who intend to offer life insurance and personal accident insurance along with private pension to their employees through benefit packages.

PROJECTIONS FOR 2012

After the year 2011 was closed with a steady growth in private pension

system, the expectations for legislative amendments, being discussed for some time, have increased significantly. Regulations will serve to improve the individuals' awareness for saving and to result in longer term savings and upon their effectiveness in 2012 the private pension system will achieve a higher growth rate compared to previous years. Certain subjects, government support for the system, taking measures to increase corporate contribution and facilitating the transfer of investments in various off-the-system pension schemes into the system will enable the sector to provide the opportunity to more people to make savings for a longer term.

The overall expectation for 2012 is that new contributors between 675,000 and 700,000 will join the system as of the year end and that total number of contributors will reach approximately 3 million while the assets under management will be realized over TL 17 billion.

As regards to life insurance, it is anticipated that the production in this category will be shaped mainly within the frame of credit life insurance sales suggested by the banks to cover the customers' risks during credit allocation.

ANNUAL REPORT COMPLIANCE OPINION

To the General Assembly of ING Emeklilik Anonim Şirketi:

We have been engaged to audit the accuracy and compliance of the financial information provided in the annual activity report of ING Emeklilik Anonim Şirketi ("the Company") as of December 31, 2011 with the audit report issued for the year then ended. The Board of Directors of the Company is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the auditing standards and principles and procedures of preparing and issuing annual activity reports as set out by the Insurance Law No: 5684 and Individual Retirement, Saving and Investment System Law No. 4632. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial information provided in the annual activity report is free from material misstatement in terms of compliance with the audited financial statements and explanatory notes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial information of ING Emeklilik Anonim Şirketi as of December 31, 2011 in accordance with the prevailing principles and standards set out in the Insurance Law No: 5684 and Individual Retirement, Saving and Investment System Law No. 4632. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the executive summary report by the Board of Directors and our audit opinion on the financial statements.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

April 6, 2012
Istanbul, Turkey
A member firm of Ernst & Young Global Limited

MANAGEMENT DETAILS

MEMBERS OF THE BOARD OF DIRECTORS

David Engel Knibbe
Chairman
David Engel Knibbe obtained Master's degrees in Monetary Economics from Rotterdam's Erasmus University in 1996. He attended the General Management Program at the Harvard Business School in 2005. After joining ING in 1997, Mr. Knibbe held a variety of positions. From 1998 to 2000, he served as a Portfolio Manager for Institutional Clients at ING Investment Management. Between 2000 and 2002, he worked at ING Bank in Holland as a Head of Investments Central Holland. He then worked at ING in Athens as Managing Director of ING Piraeus Joint Venture from 2002 to 2004. Between 2004 and 2007, Mr. Knibbe worked as Director of Income Insurance at Nationale-Nederlanden, where he also was the General Manager of Pensions and Retail Life from 2007 to 2009. In 2010 Mr. Knibbe was the CEO of Nationale-Nederlanden Corporate Clients. Currently, he holds the position of regional CEO at ING Insurance Central and Rest of Europe.

John Thomas McCarthy
Vice Chairman
John Thomas McCarthy is a graduate of Tufts University, B.A. in German and Economics, and Ebenhard Karls University and Tufts University, M.A. in Germanistics; he also holds an MBA degree in International Finance from Babson College. He worked as the general manager with State Street Bank GmbH between 1971 and 1975. From 1976 to 1988, Mr. McCarthy served as vice president and senior vice president in New York, London and Bahrain at the American Express Bank Ltd. He held the position of assistant general manager at Koç-American Bank A.T. between 1989 and 1990. Mr. McCarthy served as the general manager at ING Bank N.V. from 1991 to 2007. Since 2008, he has held the position of Chairman of the Board of Directors at ING Bank A.Ş.

Bram Boon
Member of the Board of Directors
Bram Boon studied Mathematics at the University of Utrecht, where he obtained both a Bachelor and a Master's Degree; he also has a Master's Degree in Actuarial Science, from Vrije Universiteit and Universiteit van Amsterdam. He started his career in 1984 with the International Division at Nationale-Nederlanden as actuarial department personnel. From 1987 to 1990, Mr. Boon was a senior actuary in charge of General Insurance with the Mercantile Mutual, which is an affiliate of ING. After working as the manager in charge of operations and development between 1990 and 1992 with ING affiliate Tiel Utrecht Verzekerd Sparen, he served as senior financial officer and actuary in charge of certification, at Nationale-Nederlanden General Insurance from 1992 to 1994. Between 1994 and 1995, Mr. Boon was a senior actuary at the ING Group Actuarial and risk management department. After working as the CEO in charge of Southern and Eastern Netherland Operations, ING Bank, between 1995 and 1999, he held the position of sales director at RVS, which is an ING affiliate, from 1999 to 2002. Following these duties, Mr. Boon was the chairman, director, and CEO PT with ING-Aetna Life between 2002 and 2003; ING Asigurari de Viata sales director in 2004; and ING Fondu de Pensii CEO and the chairman of Romanian Association of Pension Institutions (APAPR) from October 2004 to 2008. Since October 2008, he has held the position of CEO and Chairman at ING Pension Funds Greece.

Tankut Taner Çelik
Member of the Board of Directors
Tankut Taner Çelik is a graduate of Marmara University, Major in Business Administration (curriculum in English); he also holds an MBA in Accounting and Finance from Manchester University, and a PhD from Istanbul Technical University. He began working for IMPEXBANK A.Ş. in 1990 as a specialist and assistant manager. Mr. Çelik then served as assistant manager from 1994 to 1996, and group manager between 1996 and 1998 at ABN AMBRO BANK N.V. From 1998 to 2002, he held the positions of director and general manager at Global Portföy Yönetim A.Ş. Between 2003 and 2004, he worked at ING Portföy Yönetimi A.Ş. as an assistant general manager, and was appointed general manager in 2004.

Jetse Frederik de Vries
Member of the Board of Directors-CEO
Jetse Frederik de Vries holds an undergraduate and a Master's degree in Management from Webster University. He also obtained a Master's in Law from Leiden University, and is currently enrolled at Oxford University as a student in the online Philosophy program. Mr. De Vries worked as an assistant professor in the Law Faculty of Leiden University. He then was a management trainee at Nationale-Nederlanden from 1986 to 1987. He held various managerial duties at Victoria Vesta between 1987 and 1991 and worked as a business consultant to Le Group Commerce from 1991 to 1992. Between 1992 and 1993, Mr. De Vries served as marketing manager at Belair Insurance and as sales and marketing manager at RVS from 1993 to 1997. Between 1997 and 2000, he held the position of CEO at Nederlanden Asigurari de Viata in Romania. He then worked as CEO at ING Nationale-Nederlanden in Spain from 2000 to 2003. Between 2003 and 2008, Mr. De Vries served as vice president at ING Canada Insurance and as CEO at ING Life Insurance and Pension Fund in Russia from 2008 to 2010. Since March 2010, he has been a board member and CEO at ING Emeklilik.

AUDITORS

Mehmet Müderrisoğlu

Mehmet Müderrisoğlu is a graduate of both Istanbul University in Middle Level Management and also Dokuz Eylül University in Finance. He began his professional career in 1989 at Karon Menkul Kıymetler A.Ş. as Assistant Branch Manager. Mr. Müderrisoğlu worked at Henkel-Turyağ A.Ş. as an Accounting Representative between 1993 and 1995. He then served as portfolio manager at TAIB Yatırım A.Ş. from 1995 to 2002 and at Hür Sigorta A.Ş. between 2002 and 2003. Mr. Müderrisoğlu has worked as Financial Affairs and Operations Manager at ING Portföy Yönetimi A.Ş. since 2003.

Sarper Volkan Özten

Sarper Volkan Özten is a graduate of Istanbul University, Faculty of Economics. He started his professional career as a financial analysis specialist at Emlak Bank where he worked from 1984 to 1987. Mr. Özten then served as Director at the İktisat Bank between 1987 and 1990, and as Assistant Manager at Ege Bank from 1990 to 1991. He held the positions of Assistant General Manager and General Manager at Öncü Menkul Değerler A.Ş. as of 1991, and Assistant General Manager at Finans Yatırım Menkul Değerler A.Ş. in 1997. Mr. Özten has been a Member of the Audit Board of ING Bank and ING Portföy Yönetimi A.Ş. since January 2008, as well as a Member of the Board of Directors for Alarko Real Estate.

INTERNAL AUDIT

Hakan Gaygısız

Hakan Gaygısız is a graduate of Dokuz Eylül University, Faculty of Economic and Administrative Sciences, Department of Finance; and completed his Master's degree at Kadir Has University in Banking and Finance in 2010. In 1996, Mr. Gaygısız passed the Akbank Audit Board examination, and started his career as an Assistant Auditor there. He then worked at the Sümerbank A.Ş. Audit Board as Assistant Auditor in charge ex office between 1997 and 1998. From 1998 to 2002, Mr. Gaygısız served as Auditor at the Etibank A.Ş. and Toprakbank A.Ş. on the Audit Boards. He held the position of Assistant Manager at the Denizbank A.Ş. Bağcılar Branch between 2002 and 2003. Mr. Gaygısız began working with ING Emeklilik on November 17, 2003, and he currently serves as the Senior Manager in the Internal Audit Directorate.

SENIOR MANAGEMENT

Süleyman Sarper Evren
Assistant General Manager, CFO - COO

Süleyman Sarper Evren is a graduate of Boğaziçi University in Mathematics. He started his professional career as an Assistant Specialist at Oyak Sigorta A.Ş. in 1994. Between 1995 and 1997, Mr. Evren worked as a Specialist at Axa Oyak Hayat Sigorta, from 1997 to 1998 at Halk Yaşam Sigorta, and between 1998 and 1999 at Toprak Hayat Sigorta. From 1999 to 2003, he served as Assistant Manager and Manager at Axa Oyak Hayat Sigorta A.Ş. Mr. Evren began working with ING Emeklilik in 2003 as the Head of Marketing, and he is currently the CFO-COO.

İhsan Çevik
Assistant General Manager, Sales

İhsan Çevik is a graduate of Middle East Technical University in Business Administration. He worked at various public and private sector companies between 1980 and 1993. Mr. Çevik began serving as the Manager in charge of Technical Operations, Product Development and Actuaries at Bayındır Hayat Sigorta in 1993; in 1997, he was appointed Assistant General Manager there. In 2001, he started work as the General Manager of Ilgaz Tourism, one of the affiliates of the same group. Mr. Çevik then worked as the Regional Director of Axa Oyak Insurance Bakırköy regional office in 2002; since 2003, he has held the position of Assistant General Manager at ING Emeklilik.

INFORMATION ABOUT THE ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS IN THE RELEVANT MEETINGS DURING THE FISCAL YEAR

BOARD OF DIRECTORS

DATES OF BOARD MEETING	MEETING NO	ATTENDANCE
14.02.2011	141	4
11.03.2011	142	5
11.03.2011	143	5
11.03.2011	144	5
11.03.2011	145	5
11.03.2011	146	5
06.04.2011	147	5
06.04.2011	148	5
06.04.2011	149	5
06.04.2011	150	5
29.04.2011	151	5
06.05.2011	152	5
24.05.2011	153	5
24.06.2011	154	5
01.11.2011	155	5
24.11.2011	156	4

ORGANIZATIONAL CHART

- Board of Directors
  - Internal Audit
  - Compliance Officer
  - CEO
    - Marketing
    - Project Management Office
      - Project Management
      - Business Analysis
    - Compliance and Operational Risk Management
    - Human Resources Director
      - Human Resources
      - Culture, Change and Organizational Development
    - Deputy General Manager Sales
      - Bank Sales
      - Broker Sales
      - Group Sales
      - Sales Support
      - Training
    - Deputy General Manager Operation
      - Operation
      - Data Processing
      - Call Centre
      - Procurement and Supplier Management
      - Information Risk Management
    - Deputy General Manager Financial Affairs
      - Accounting and Administration
      - Legal
      - Actuarial and Insurance Risk Management
      - Planning and Investments

HUMAN RESOURCES ACTIVITIES AND POLICIES

ING HUMAN RESOURCES POLICY

Insurance and pension sector is a growing line of business in Turkey, as such ING Emeklilik is seeking to recruit professionals who wish to develop together with the company toward the aim to become the leader in the Turkish pension and insurance market.

With its experience of more than 150 years in insurance and pension activities, ING is offering its services to its 85 million clients in over 40 countries with its professional employees over 100,000 and has earned an excellent reputation. These professionals are creating difference everyday with the services offered to all shareholders.

ING Emeklilik is an inventively operating company with relatively limited number of employees, accordingly the Company's HR strategy aims to recruit authentic employees who are devoted to the Company, competent and customer-oriented.

Depending on its corporate culture, international character and field of activity, ING Emeklilik offers many goals in an area requiring competency, that would contribute to the employees' personal developments and it depends on the employees to take the opportunity and to gain momentum in a young and fast growing Company.

All employees in the Company are regarded as "professionals" and are expected to exhibit professional attitudes and behavior, thus trainees, new graduates, specialists and managers are not treated differently at job application or as regards to the opportunities given.

The Company has HR practices supporting the employees and the Company to attain personal and organizational objectives.

TRAINING AND DEVELOPMENT

ING Emeklilik designs training courses focusing on the professional development needs of personnel. The Company helps staff members define their know-how and skills, determine their individual development, and plan how to meet these requirements with adequate training programs.

The Company provides training for post-evaluation competence development on competency basis for all employees; and provides first level manager training, mid-level manager training as well talent management training for managers.

The Company monitors sector developments and innovations carefully through related training courses and meetings. Employee attendance is ensured at these training courses and events, to ensure that ING Emeklilik personnel improve themselves and thereby add value to the Company.

ING Emeklilik's principal asset is its employees, thus the Company plans to expand the ING Emeklilik family by bringing in new members who can think strategically, and who are prompt, proactive and responsible.

To this end, ING Emeklilik strives to be an employer that,

• creates a favorable atmosphere both for personal and professional improvement,
• builds and operates systems which will appraise individual differences appropriately,
• offers consistent, transparent and modern working conditions based on sincerity, respect and trust, allowing for two-way communications while creating equal opportunities,
• is open to change and innovations,
• learns and constantly self-improves,
• measures and appraises performance with objective criteria,
• enhances improvement means as well as performance based salary and career opportunities to strengthen the sense of belonging in employees, in line with corporate objectives,
• operates with a team-based approach, and ensures an employee profile that reflects in the Company's performance as well as that of the individual employee.

REMUNERATION AND SOCIAL BENEFITS

ING Emeklilik's remuneration policy is based on the principle of fairness and equality. The remuneration policy was established after an analytical study was conducted in conjunction with an internationally renowned remuneration consultancy. The study took into account the sector data and the growth strategy of the Company. The functions carried out inside the ING Emeklilik organization have been defined on the basis of the skills and experience of employees, job descriptions and levels of responsibility.

The Company has established and implemented employee evaluation and salary based management processes in line with corporate strategies and the salary adjustments become effective after evaluating relationships between job positions and making market comparisons.

Vested benefits provided to the employees are as listed below.

- Net salary payment,
- Health insurance,
- Life insurance,
- Personal pension plan with employer contribution,
- Transportation fee,
- Lunch,
- Company line and vehicle can be provided in the line of duty.

REPORT SUBMITTED TO THE GENERAL ASSEMBLY

Dear Shareholders,

We would like to welcome you all to our annual General Meeting, and take this opportunity to extend our thanks for honoring this meeting, assembled to examine the financial status and activity results for the 2011 business year with your attendance.

Continuing its operations growing in the Private Pension sector, ING Emeklilik A.Ş. carried out its activities in 2011 in line with its growth target. During the year we put into effect a lot of innovations for our contributors, these innovations will enable us to take firm steps towards our long-term targets. Our aim in 2011 was also to offer accurate information to our contributors and to make proper use of their investments.

Our Company is a part of an individual-oriented system. Accordingly, it is important to enhance the individuals' position within the community along with to ensure their satisfaction as customers. At ING Emeklilik, we are moving forward being fully aware of our social responsibilities.

The paid in capital of ING Emeklilik for the year 2011 is TL 49,000,000, while assets under management reached 21.66% during the year. Furthermore, the number of employees increased to 150 at the end of 2011, which was 118 in 2010. The Company's total assets under management has grown to TL 778,360,000.00 as of year-end 2010.

On October 24, 2011 EMK Sigorta Aracılık Hizmetleri A.Ş. was established with a participation share of 48% and started operations.

We would like to thank you all once again for the interest you have vested in the General Assembly, and we wish the remainder of 2012 to be a prosperous time for our Company in its endeavors, on board one of the largest international finance organizations with 150 years of experience and know-how, ING.

Yours faithfully,
Board of Directors

AUDITOR'S REPORT

ING EMEKLİLİK A.Ş. AUDITOR'S REPORT

To the ING Emeklilik A.Ş. General Council,

The results of our audit studies through examinations of the accounts and transactions of ING Emeklilik A.Ş. for the fiscal year of 01.01.2011 to 31.12.2011 as required by the Turkish Commercial Code, the Shareholders' Agreement and the other regulations, have been completed and presented below for your kind review:

1. The examinations made on the company legal books and documents have proven that the obligatory books and flies were kept; that the records were kept in line with the principles of accuracy and openness stipulated in Article 75 of the Turkish Commercial Code, as well as the general accounting principles and rules.

2. It has been found out that the balance sheet set forth in the official books of the company is the same with the balance sheet and the profit and loss calculation presented by the Board of Directors to the General Council and that it fully reflects the actual financial status of the term between 01.01.2011 and 31.12.2011.

3. During the term between 01.01.2011 and 31.12.2011, our Auditing Department has not been conveyed any complaints or fraud messages concerning the internal functioning of the Company.

4. It has been seen that the Board of Directors resolutions made during the above mentioned period by the Company Board of Directors have been duly recorded in the Book of Resolutions.

5. Pursuant to Article 353 of the Turkish Commercial Code, the inventory counts for the Company safe and the valuable papers have taken place and it has been observed that the safe contents and valuable papers are in line with the book records and accurate.

We hereby present for your approval the Company activities indicated in the report prepared by the Board of Directors pursuant to the above presented findings, as well as the relevant balance sheet and the profit and loss charts, and the acquittal of the Board of Directors for the period between 01.01.2011 and 31.12.2011.

Yours faithfully,

Mehmet MÜDERRİSOĞLU	**Sarper Volkan ÖZTEN**
Auditor	Auditor

ASSESSMENT OF 2011 OPERATIONS BY THE INTERNAL AUDIT DEPARTMENT

The Internal Audit Department diligently undertakes the internal audit functions of the Company in an objective and independent manner to assure the Board of Directors that the operations of the Company comply with current laws and regulations, as well as corporate strategies, policies, objectives and implementation procedures. The department also ensures that the Company's internal control and risk management systems are effective and sufficient. In addition, it formulates opinions and makes recommendations that will add value and help the Company attain its goals.

The Internal Audit Department reports to the Board of Directors in the Company organization. It is also a part of the larger unit called the Corporate Audit Service (CAS) that serves the ING Group. CAS is a completely independent organization and is in full compliance with Institute of Internal Auditors (IIA) standards.

In 2011, the Internal Audit Department issued 5 audit reports, 2 follow-up reports on the closing of the findings of the Operational Risk Management and Compliance Department; as well as 2 other special reports.

Internal audit activities are based on the following issues and include all the departments of the Company, the regional offices and the brokers:

• Examining the compliance of all Company activities with the legislations and the internal procedures as well as the general policies of the Company,
• Offering assurance in terms of the effective and adequate performance of risk management and internal control activities,
• Examining the accuracy and the reliability of financial and administrative information,
• Inspection of the economic and efficient utilization of the Company's resources,
• Ensuring that the activities and the programs are in line with the objectives and the targets set by the Company, and monitoring whether the activities are carried out the way they were planned or not.

Such activities are also monitored through the following methods:

• Compiling and analyzing information according to objective principles,
• Reporting results in clear and comprehensible ways and conveying to the relevant authorities directly,
• Taking action plans from the relevant executives pursuant to these reports,
• Checking whether the issues set forth in the audit reports are corrected or not, and whether the warning notes issued are taken into account during the continuation of the activities.

AGENDA FOR THE 2011 ORDINARY GENERAL ASSEMBLY MEETING

1. Opening and the formation of the Council,
2. Authorizing the Council to sign the minutes of the meeting and documents on behalf of the General Assembly,
3. Reading and discussing the Board of Directors Activity Report, and the Auditors' Report,
4. Reading, discussing and approving the balance sheet, the profit and loss statement, and discussing the dividend distribution,
5. Increasing capital by TL 25 million up to TL 74 million,
6. Release of the Board of Directors and the Auditors,
7. Remuneration of the Board of Directors and Auditors,
8. Approval of the appointment of Süleyman Sarper EVREN as a Member of the Board of Directors,
9. Discussing and resolving the appointment of the Board of Directors and the Auditors and their office term,
10. Appointment of the Independent Auditor,
11. Authorizing the Board of Directors to engage in activities in person or in proxy that coincide with the Company's line of business and to hold shares in companies that undertake such activities as per Articles 334 and 335 of the Turkish Commercial Code,
12. Wishes and requests.

Closing

SUMMARY OF THE FINANCIAL INFORMATION FOR THE FIVE-YEAR PERIOD INCLUDING THE REPORTING PERIOD

	2011	2010	2009	2008	2007
ASSETS UNDER MANAGEMENT	778,361	639,760	509,901	350,478	275,285
PAID-IN CAPITAL	50,160	46,160	46,160	46,160	46,160
SHAREHOLDERS' EQUITY	23,721	27,616	29,444	29,808	26,381
TOTAL ASSETS	859,225	697,842	556,043	395,118	312,723
TECHNICAL INCOME	67,212	46,872	24,912	21,921	18,996
TECHNICAL PROFIT/LOSS	(8,504)	(1,841)	(421)	(1,764)	(368)
NON-TECHNICAL PROFIT/LOSS	892	(182)	57	2,609	2,485
PROFIT/LOSS BEFORE TAX	(7,612)	(2,023)	(364)	845	2,117

INFORMATION ON THE FINANCIAL STRUCTURE

In 2011, ING Emeklilik continued its operations in an active manner in the fast growing pension business. During the year, total shareholders' equity reached TL 23,721 thousand. Total assets of the Company increased by 23.13% as of December 31, 2011 compared to 2010, reaching TL 859,225 thousand. As of December 31, 2011, the share of liquid assets among total assets was 5.48%; and, as of December 31, 2011, the share of private pension system receivables among total assets was 90.59%.

INFORMATION CONCERNING THE RISK MANAGEMENT POLICIES BY TYPES OF RISKS

RISK MANAGEMENT POLICIES

ING Emeklilik has implemented an Operational Risk and Compliance Risk Management Policy, which aims to define and measure operational, and compliance risks, identify and implement risk policies and operating procedures, and establish and execute the necessary control mechanisms to mitigate, monitor and report risks together with business owners.

The ING Group, of which ING Emeklilik is a part of, defines the operational risk as: *"The risk that the Company will incur direct or indirect loss due to inadequate or failed internal processes, human resources and systems performance or from external factors".*

Through a strong risk management system, ING Emeklilik aims to control risks, minimize losses on one hand and create value for contributors, shareholders, distribution channels and employees, on the other hand.

The risk management approach at ING, and hence ING Emeklilik, is based on the "Three Lines of Defense" philosophy, which can be defined as follows:

FIRST LINE OF DEFENSE	SECOND LINE OF DEFENSE	THIRD LINE OF DEFENSE
Line Departments	**Compliance and Risk Management**	**Audit**
• The managers who have primary liability for managing operational risk and compliance risk during daily operations are the department managers.	• Supports management to define the risk function, risk appetite, strategies and policies. • Critically analyzes the appropriateness and effectiveness of risk definitions, risk reporting and action plans designed to mitigate risks.	• Undertakes financial, operational, compliance and risk management audits. • Provides independent and objective assurance on the effectiveness of internal controls and risk management.

OPERATIONAL RISK:

The operational risk categories are as follows:

1) Control Risk,
2) Unauthorized Activity Risk,
3) Transaction Risk,
4) Employment Practice and Workplace Security Risk,
5) Personal and Physical Safety Risk,
6) Information (Technology) Risk,
7) Continuity Risk,
8) Compliance Risk,
9) Internal Fraud Risk,
10) External Fraud Risk.

The main objectives of the risk management process carried out covering all Company activities and departments as regards to the identified types of risks as follows:

- To increase awareness for the operational risk,
- To work with the department managers to ensure that the activities are conducted as per the risk appetites of the senior management of the Company,
- To develop early warning systems,
- To take actions for reducing risks and to ensure that additional measures are taken, Thus, to reduce the operational risk costs in a definitive way.
- Thus, to reduce the operational risk costs in a definitive way.

The Company continues its studies regarding the improvement of Information Security Risk Management and Physical Security Risk Management, both being part of operational risk. The project pertaining to the development of the Business Continuity Plan under the physical security risk management was completed in 2011. Accordingly, the implementation of ING standards prepared in accordance with BS 25999 standards will be realized. Within the scope of the project, the Company has scrutinized business processes, identified critical processes and defined the resources necessary to enable continuity in these processes. In addition, Business Continuity Plan, Crisis Management Organization and Building Evacuation Plan were prepared, personnel in charge were identified, and awareness studies were done and announced to all employees. In next step, the maintenance of plan operability and regular testing will be realized. Moreover, a Security Management Team consisting of members chosen from certain departments and aiming to define and trace the safety risk in the Company was established. Checks as regards to the “Clean Desk” principle that ensures information security are made on a monthly basis and the results are shared with senior management and department heads.

On the other hand, the project regarding the establishment of a Disaster Recovery Plan and a Disaster Recovery Center was launched concurrently with the said project in 2010 and the Company’s live system backup was established in Izmir as a part of the Disaster Recovery Center. In addition, studies regarding information security are continuing in compliance studies with ING standards defined on the basis of ISO 27001 and COBIT standards and improvements made in the Information Technologies processes under ISO 20000 as regards to service management.

ING Emeklilik has commenced with actions to respond to internal and external fraud risks, which are classed among operational risks. To this end, the Company drafted and approved an Anti-Fraud Plan, designated an Anti-Fraud Officer and installed early warning systems to respond to risks identified by analyzing fraud risks; these systems have started automatic reporting. Moreover, to increase awareness of fraud risk, the Company has launched internal communications activities and organized training programs.

INFORMATION CONCERNING THE RISK MANAGEMENT POLICIES BY TYPES OF RISKS

COMPLIANCE RISK

Due to its importance, compliance risk is a separately handled operational risk category. Compliance risk is *"The risk of failure to abide with correctness and honesty. The compliance risk is the risk of failure to comply with the Company's business principles, the law and other regulations, and standards of financial services, which is the main area of activity of the Company"*. The Company places utmost significance on the management of compliance risk being fully aware of the fact that in the financial services sector, in which the Company operates, trust is a vital element.

Compliance Risk Management is responsible for the following:

- Compliance with laws and other applicable legislation,
- Compliance with code of conduct,
- Compliance with the Company's and ING's business principles,
- Compliance with the ING Group's and the Company's applicable compliance policies and other related internal procedures and regulations.

The ING Group, of which ING Emeklilik is a part of, has defined numerous policies on risk management and compliance, which are in effect for all group companies. Some of these policies include:

- Business Principles,
- Code of Conduct,
- Financial and Economic Crimes Policy,
- Insider Information Policy,
- Anti-fraud Policy,
- Whistleblower Policy,
- Gifts, Entertainment Activities and Anti-corruption Policy.

In this context and with the aim to effectively manage the operational risks as well as the compliance risk, and in strict collaboration with the relevant managers, necessary studies are carried out in accordance with legal requirements to attain risk management in line with ING Group's policies and to establish a strong risk management awareness in the Company.

ACTIVITIES TO PREVENT THE TERRORISM FINANCING AND MONEY LAUNDERING:

Under compliance risks, studies were done to prevent money laundering and terrorism financing. As per MASAK regulations and the compliance policies of ING Group, the Company has appointed a Money Laundering Reporting Compliance Officer. In 2011, the Financial Economic Crimes Compliance Project was completed. Within the scope of this project, the Company has circulated and put into effect the following: Customer Identification, Customer Acceptance Procedure, Name Scan, Alarm Management, Suspicious Transaction Reporting Procedure and Customer Risk Matrix. Awareness training sessions have been held and the early warning system used to monitor suspicious transactions has been developed to include automated reporting functionality.

INFORMATION ABOUT THE TRANSACTIONS OF THE COMPANY WITH THE RISK GROUP IT IS INVOLVED IN

Information about the Company's transactions with shareholders, Group companies that are its subsidiaries and participations is disclosed in the 2011 Independent Audit Report and note 45 to Financial Statements.

ING EMEKLİLİK ANONİM ŞİRKETİ

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT AS OF DECEMBER 31, 2011

Table of contents

ERNST & YOUNG

Independent auditor's report for the year ended December 31, 2011

To the Board of Directors of
ING Emeklilik Anonim Şirketi,

1. We have audited the accompanying financial statements of ING Emeklilik A.Ş. ("the Company"), which comprise the balance sheet as of December 31, 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards issued based on insurance laws and regulations. This responsibility includes; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued based on insurance laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

6. In our opinion, the accompanying financial statements give a true and fair view of the financial position of ING Emeklilik Anonim Şirketi as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards issued (Note 2) based on insurance laws and regulations.

Additional paragraph for convenience translation

7. As explained in detail in Note 2.25, the accompanying financial statements are presented in accordance with the prevailing accounting principles and standards issued (Note 2) based on insurance laws and regulations. The effects of differences between those accounting principles and standards set out by laws and regulations and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance, changes in equity and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

Marc 2, 2012
Istanbul, Turkey

ING EMEKLİLİK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
I- Current assets			
A- Cash and cash equivalents	14	**47,112,903**	38,982,133
1- Cash	14	**145**	1,895
2- Checks received		-	-
3- Banks	14	**46,883,610**	38,848,644
4- Checks given and payment orders (-)		-	-
5- Other cash and cash equivalents	14	**229,148**	131,594
B- Financial assets and financial investments at policyholders' risk		**8,779,404**	6,152,599
1- Available for sale investments	11	**8,779,404**	6,152,599
2- Held to maturity investments		-	-
3- Held for trading investments		-	-
4- Loans		-	-
5- Provision for loans (-)		-	-
6- Financial investments at life policyholders' risk		-	-
7- Company shares		-	-
8- Provision for diminution in value of financial assets (-)		-	-
C- Receivables from main operational activities	12	**16,184,654**	8,010,071
1- Due from insurance operations	12	**1,548,727**	99,606
2- Provision for due from insurance operations(-)		-	-
3- Due from reinsurance operations		-	-
4- Provision for due from reinsurance operations(-)		-	-
5- Deposits at insurance and reinsurance companies		-	-
6- Loans to policyholders		-	-
7- Provision for loans to policyholders (-)		-	-
8- Due from pension operations	12	**14,635,927**	7,906,367
9- Doubtful receivables from operational activities	12	**369,307**	363,007
10- Provision for doubtful receivables from operational activities (-)	12	**(369,307)**	(358,909)
D- Due from related parties	12	**401,066**	914,227
1- Due from shareholders		-	-
2- Due from participations		-	-
3- Due from subsidiaries		-	-
4- Due from joint-ventures		-	-
5- Due from personnel		-	-
6- Due from other related parties	12	**401,066**	914,227
7- Rediscount on due from related parties (-)		-	-
8- Doubtful receivables from related parties		-	-
9- Provision for doubtful receivables from related parties (-)		-	-
E- Other receivables	47.1	**25,988**	22,719
1- Financial lease receivables		-	-
2- Unearned financial lease interest income (-)		-	-
3- Deposits and guarantees given		**25,988**	22,719
4- Other receivables		-	-
5- Rediscount on other receivables (-)		-	-
6- Other doubtful receivables		-	-
7- Provision for other doubtful receivables (-)		-	-
F- Deferred expenses and income accruals		**2,191,681**	761,592
1- Deferred expenses		**2,191,681**	761,592
2- Accrued interest and rent income		-	-
3- Income accruals		-	-
G- Other current assets		**206,739**	208,886
1- Inventory		-	20,447
2- Prepaid taxes and funds	35	**206,739**	54,824
3- Deferred tax assets		-	-
4- Job advances		-	133,615
5- Advances to personnel		-	-
6- Count shortages		-	-
7- Other current assets		-	-
8- Provision for other current assets (-)		-	-
I- Total current assets		**74,902,435**	55,052,227

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
II- Non current assets			
A- Receivables from main operational activities		**778,361,051**	639,760,041
1- Due from insurance operations		-	-
2- Provision for due from insurance operations (-)		-	-
3- Due from reinsurance operations		-	-
4- Provision for due from reinsurance operations (-)		-	-
5- Deposits at insurance and reinsurance companies		-	-
6- Loans to policyholders		-	-
7- Provision for loans to policyholders (-)		-	-
8- Due from pension operations	17	**778,361,051**	639,760,041
9- Doubtful receivables from operational activities		-	-
10- Provision for doubtful receivables from operational activities (-)		-	-
B- Due from related parties		-	-
1- Due from shareholders		-	-
2- Due from participations		-	-
3- Due from subsidiaries		-	-
4- Due from joint-ventures		-	-
5- Due from personnel		-	-
6- Due from other related parties		-	-
7- Rediscount on due from related parties (-)		-	-
8- Doubtful receivables from related parties		-	-
9- Provision for doubtful receivables from related parties (-)		-	-
C- Other receivables		-	-
1- Financial lease receivables		-	-
2- Unearned financial lease interest income (-)		-	-
3- Deposits and guarantees given		-	-
4- Other receivables		-	-
5- Rediscount on other receivables (-)		-	-
6- Other doubtful receivables		-	-
7- Provision for other doubtful receivables (-)		-	-
D- Financial assets		**50,000**	-
1- Investment securities		-	-
2- Participations		-	-
3- Participations' capital commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries' capital commitments (-)		-	-
6- Joint-ventures		**50,000**	-
7- Joint-ventures capital commitments (-)		-	-
8- Financial assets and financial investments at policyholders' risk		-	-
9- Other financial assets		-	-
10- Provision for diminution in value of financial assets (-)		-	-
E- Tangible assets	6	**3,672,474**	1,327,610
1- Investment property		-	-
2- Impairment on investment property (-)		-	-
3- Property for own use		-	-
4- Machinery and equipment	6	**3,350,796**	2,895,978
5- Furniture and fixtures	6	**1,314,987**	639,242
6- Motor vehicles	6	**65,788**	65,788
7- Other tangible assets (including leasehold improvements)	6	**2,004,738**	343,830
8- Leased assets		-	-
9- Accumulated depreciation (-)	6	**(3,063,835)**	(2,617,228)
10- Advances given for tangible assets (including construction in progress)		-	-
F- Intangible assets	8	**1,249,130**	1,318,056
1- Rights	8	**3,882,981**	3,429,428
2- Goodwill		-	-
3- Start-up costs		-	-
4- Research and development costs		-	-
5- Other intangible assets		-	-
6- Accumulated amortization (-)	8	**(2,633,851)**	(2,261,372)
7- Advances given for intangible assets	8	-	150,000
G-Deferred expenses and income accruals		-	-
1- Deferred expenses		-	-
2- Income accruals		-	-
3- Other deferred expenses and income accruals		-	-
H-Other non-current assets	21	**989,605**	384,001
1- Effective foreign currency accounts		-	-
2- Foreign currency deposits		-	-
3- Inventory		-	-
4- Prepaid taxes and funds		-	-
5- Deferred tax assets	21	**989,605**	384,001
6- Other miscellaneous non-current assets		-	-
7- Other non-current assets depreciation (-)		-	-
8- Provision for other non-current assets (-)		-	-
II- Total non current assets		**784,322,260**	642,789,708
Total assets		**859,224,695**	697,841,935

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
III- Short-term liabilities			
A- Financial liabilities		-	-
1- Due to credit institutions		-	-
2- Financial lease payables		-	-
3- Deferred financial lease costs (-)		-	-
4- Installments of long term borrowings' capital and interests		-	-
5- Issued bonds' capital and interest installments		-	-
6- Other issued debt securities		-	-
7- Value differences of other issued debt securities (-)		-	-
8- Other financial liabilities		-	-
B- Payables from main operational activities	19	17,978,663	13,343,596
1- Payables from insurance operations		66,310	18,111
2- Payables from reinsurance operations	10	155,615	35,197
3- Deposits obtained from insurance and reinsurance companies		-	-
4- Payables from pension operations		17,756,738	13,290,288
5- Payables from other main operational activities		-	-
6- Rediscount on other payables from main operational activities (-)		-	-
C- Due to related parties	12, 45	2,383,092	708,421
1- Due to shareholders		-	-
2- Due to participations		-	-
3- Due to subsidiaries		-	-
4- Due to joint-ventures		-	-
5- Due to personnel	12	204,236	13,968
6- Due to other related parties	12	2,178,856	694,453
D- Other payables		461,452	386,551
1- Deposits and guarantees received		-	-
2- Other miscellaneous payables	19.1,47.1	461,452	386,551
3- Rediscount on other payables (-)		-	-
E- Insurance technical provisions		5,784,758	1,992,172
1- Unearned premium reserve-net	17.15	4,325,356	1,427,107
2- Unexpired risks reserve-net		-	-
3- Life mathematical reserve-net		-	-
4- Outstanding claim reserve-net	17.15	1,459,402	565,065
5- Bonus and allowances reserve-net		-	-
6- Reserve for life policies at policyholders' risk-net		-	-
7- Other technical reserves-net		-	-
F- Taxes and other fiscal liabilities and reserves		1,855,405	1,238,347
1- Taxes and funds payable		1,684,060	1,102,964
2- Social security withholdings payable		171,345	135,383
3- Overdue, deferred or restructured taxes and other fiscal liabilities		-	-
4- Other taxes and fiscal liabilities		-	-
5- Corporate tax provision and other fiscal liabilities		-	-
6- Prepaid corporate tax and other fiscal liabilities (-)		-	-
7- Other taxes and fiscal liabilities reserve		-	-
G- Reserves for other risks		4,911,171	1,803,062
1- Reserve for employment termination benefits		-	-
2- Reserve for social aid fund deficiency		-	-
3- Reserve for cost accruals	23	4,911,171	1,803,062
H- Deferred income and expense accruals		30,309	12,422
1- Deferred income	19	30,309	12,422
2- Expense accruals		-	-
3- Other deferred income and expense accruals		-	-
I- Other current liabilities		51,687	37,887
1- Deferred tax liabilities		-	-
2- Count surplus		-	-
3- Other miscellaneous current liabilities		51,687	37,887
III – Total current liabilities		33,456,537	19,522,458

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
IV- Long-term liabilities		-	
A- Financial liabilities		-	-
1- Due to credit institutions		-	-
2- Financial lease payables		-	-
3- Deferred financial lease costs (-)		-	-
4- Issued bonds' capital and interest installments		-	-
5- Other issued debt securities		-	-
6- Value differences of other issued debt securities (-)		-	-
7- Other financial liabilities		-	-
B- Payables from main operational activities	17, 19	**778,361,051**	639,760,041
1- Payables from insurance operations		-	-
2- Payables from reinsurance operations		-	-
3- Deposits obtained from insurance and reinsurance companies		-	-
4- Payables from pension operations		**778,361,051**	639,760,041
5- Payables from other main operational activities		-	-
6- Rediscount on other payables from main operational activities (-)		-	-
C- Due to related parties		-	-
1- Due to shareholders		-	-
2- Due to participations		-	-
3- Due to subsidiaries		-	-
4- Due to joint-ventures		-	-
5- Due to personnel		-	-
6- Due to other related parties		-	-
D- Other payables		**167,115**	91,424
1- Deposits and guarantees received	19	**167,115**	91,424
2- Other miscellaneous payables		-	-
3- Rediscount on other payables (-)		-	-
E- Insurance technical provisions		**23,281,359**	10,669,467
1- Unearned premium reserve-net		-	-
2- Unexpired risks reserve-net		-	-
3- Life mathematical reserve-net	17.15	**22,550,096**	10,435,706
4- Outstanding claim reserve-net		-	-
5- Bonus and allowances reserve-net		-	-
6- Reserve for life policies at policyholders' risk-net		-	-
7- Other technical reserves-net	17.15	**731,263**	233,761
F- Other fiscal liabilities and reserves		-	-
1- Other fiscal liabilities		-	-
2- Overdue, deferred or restructured taxes and other fiscal liabilities		-	-
3- Other taxes and fiscal liabilities reserve		-	-
G- Reserves for other risks		**237,982**	182,252
1- Reserve for employment termination benefits	22	**237,982**	182,252
2- Reserve for social aid fund deficiency		-	-
H- Deferred income and expense accruals		-	-
1- Deferred income		-	-
2- Expense accruals		-	-
3- Other deferred income and expense accruals		-	-
I- Other long-term liabilities		-	-
1- Deferred tax liabilities		-	-
2- Other long-term liabilities		-	-
IV- Total long-term liabilities		**802,047,507**	650,703,184

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
V- Shareholders' equity			
A- Paid in share capital		**50,159,772**	46,159,772
1- (Nominal) capital	1.1,15	**49,000,000**	45,000,000
2- Unpaid capital (-)		-	-
3- Adjustments to share capital		**1,159,772**	1,159,772
4- Adjustments to share capital (-)		-	-
B- Capital reserves		-	-
1- Share premium		-	-
2- Profit from stock abrogations		-	-
3- Sales profit addition to the capital		-	-
4- Foreign currency translation differences		-	-
5- Other capital reserves		-	-
C- Profit reserves		**(87,858)**	195,871
1- Legal reserves		-	-
2- Statutory reserves		-	-
3- Extraordinary reserves		-	-
4- Special reserves		-	-
5- Valuation of financial assets	15	**(87,858)**	195,871
6- Other profit reserves		-	-
D- Retained earnings		-	-
1- Retained earnings		-	-
E- Accumulated deficit (-)		**(18,739,350)**	(16,716,018)
1- Accumulated deficit		**(18,739,350)**	(16,716,018)
F- Net profit/(loss)		**(7,611,913)**	(2,023,332)
1- Net period profit		-	-
2- Net period loss (-)		**(7,611,913)**	(2,023,332)
V- Total shareholders' equity		**23,720,651**	27,616,293
Total liabilities and shareholders' equity (III+IV+V)		**859,224,695**	697,841,935

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
A- Non-life technical income		**1,029,713**	80,813
1- Earned premiums -net of reinsurer's share		**1,029,713**	80,813
1.1- Written premiums -net of reinsurer's share	24	**1,844,931**	699,461
1.1.1- Gross written premiums (+)	24	**2,525,218**	758,363
1.1.2- Premiums ceded to reinsurers (-)	24	**(680,287)**	(58,902)
1.2- Change in unearned premiums reserve - net of reinsurer's share (+/-)	17.15	**(815,218)**	(618,647)
1.2.1- Unearned premiums reserve (-)	17.15	**(889,257)**	(671,106)
1.2.2- Ceded unearned premiums reserve (+)	17.15	**74,039**	52,459
1.3- Change in unexpired risks reserve-net of reinsurer's share (+/-)		**-**	-
1.3.1- Unexpired risks reserve (-)		**-**	-
1.3.2- Ceded unexpired risks reserve (+)		**-**	-
2- Investment income transferred from non-technical section		**-**	-
3- Other technical income-net of reinsurer's share		**-**	-
3.1- Gross other technical income (+)		**-**	-
3.2- Other technical income-reinsurance share (-)		**-**	-
B- Non-life technical expense (-)		**(1,529,735)**	(114,713)
1- Incurred losses-net of reinsurer's share		**(290,807)**	(20,303)
1.1- Paid claims-net of reinsurer's share		**(140,000)**	-
1.1.1- Gross claims paid (-)		**(140,000)**	-
1.1.2- Ceded claims paid (+)		**-**	-
1.2- Change in outstanding claims reserve - net of reinsurer's share (+/-)	17.15	**(150,807)**	(20,303)
1.2.1- Outstanding claims reserve (-)	17.15	**(157,363)**	(26,878)
1.2.2- Ceded outstanding claims reserve (+)	17.15	**6,556**	6,575
2- Change in bonus and allowance reserve - net of reinsurer's share and reversals (+/-)		**-**	-
2.1- Bonus and allowance reserve (-)		**-**	-
2.2- Ceded bonus and allowance reserve (+)		**-**	-
3- Change in other technical reserves-net of reinsurer's share (+/-)	17.15	**(40,186)**	(14,599)
4- Underwriting expenses (-)	31	**(1,198,742)**	(79,811)
C- Net technical balance - Non-life (A - B)		**(500,022)**	(33,900)
D- Life technical income		**34,630,013**	18,630,408
1- Earned premiums -net of reinsurer's share		**34,630,013**	18,630,408
1.1- Written premiums -net of reinsurer's share	24	**36,713,044**	19,438,868
1.1.1- Gross written premiums (+)	24	**37,477,219**	19,528,571
1.1.2- Premiums ceded to reinsurers (-)	24	**(764,175)**	(89,703)
1.2- Change in unearned premiums reserve - net of reinsurer's share (+/-)	17.15	**(2,083,031)**	(808,460)
1.2.1- Unearned premiums reserve (-)	17.15	**(2,355,629)**	(808,598)
1.2.2- Ceded unearned premiums reserve (+)	17.15	**272,598**	138
1.3- Change in unexpired risks reserve-net of reinsurer's share (+/-)		**-**	-
1.3.1- Unexpired risks reserve (-)		**-**	-
1.3.2- Ceded unexpired risks reserve (+)		**-**	-
2- Life investment income		**-**	-
3- Unrealized profits from investments		**-**	-
4- Other technical income-net of reinsurance share		**-**	-
E- Life technical expense		**(36,617,273)**	(20,149,335)
1- Incurred losses-net of reinsurer's share		**(3,395,688)**	(1,166,755)
1.1- Paid claims-net of reinsurer's share	17.15	**(2,652,158)**	(621,993)
1.1.1- Gross claims paid (-)		**(2,655,538)**	(621,993)
1.1.2- Ceded claims paid (+)		**3,380**	-
1.2- Change in outstanding claims reserve - net of reinsurer's share (+/-)	17.15	**(743,530)**	(544,762)
1.2.1- Outstanding claims reserve (-)	17.15	**(755,210)**	(551,742)
1.2.2- Ceded outstanding claims reserve (+)	17.15	**11,680**	6,980
2- Change in bonus and allowance reserve - net of reinsurer's share and reversals (+/-)		**-**	-
2.1- Bonus and allowance reserve (-)		**-**	-
2.2- Ceded bonus and allowance reserve (+)		**-**	-
3- Change in life mathematical reserve-net of reinsurer's share (+/-)	17.15	**(12,114,390)**	(10,435,706)
3.1- Life mathematical reserve (-)	17.15	**(12,147,547)**	(10,467,587)
3.2- Ceded life mathematical reserve (+)	17.15	**33,157**	31,881
4- Change in investments at life policyholders' risk-net of reinsurer' share (+/-)		**-**	-
4.1- Investments at life policyholders' risk (-)		**-**	-
4.2- Investments at life policyholders' risk- reinsurer's share (+)		**-**	-
5- Change in other technical provisions-net of reinsurer' share (+/-)	17.15	**(457,316)**	(219,162)
6- Underwriting expenses (-)	31	**(20,649,879)**	(8,327,712)
7- Investment expenses (-)		**-**	-
8- Unrealized losses in investments (-)		**-**	-
9- Investment income transferred to non technical part (-)		**-**	-
F- Net technical balance – Life (D - E)		**(1,987,260)**	(1,518,927)
G- Pension technical income		**31,551,778**	28,160,721
1- Fund management income		**22,352,224**	18,192,724
2- Management expense charges		**5,414,297**	5,345,584
3- Subscription fee	25	**3,518,920**	4,530,066
4- Management expense charges in case of a break		**266,337**	92,347
5- Special service expense charges		**-**	-
6- Capital advance value increase income		**-**	-
7- Other technical income		**-**	-
H- Pension technical expense		**(37,568,232)**	(28,449,068)
1- Fund management expense(-)	45	**(4,373,084)**	(3,619,151)
2- Capital advance value decrease expense (-)		**-**	-
3- Underwriting expenses (-)	31	**(32,418,224)**	(24,158,671)
4- Other technical expenses (-)		**(776,924)**	(671,246)
I- Net technical balance – Retirement (G - H)		**(6,016,454)**	(288,347)

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
II-Non-technical section			
C- Net technical balance - Non-life (A - B)		**(500,022)**	(33,900)
F- Net technical balance - Life (D - E)		**(1,987,260)**	(1,518,927)
I- Net technical balance – Pension (G - H)		**(6,016,454)**	(288,347)
J- Total technical balance (C+F+I)		**(8,503,736)**	(1,841,174)
K- Investment income		**3,594,084**	2,545,032
1- Income from financial investments	26	**3,136,345**	2,373,959
2- Income from liquidation of financial investments	26	-	-
3- Valuation of financial investments	26, 27	**360,304**	147,493
4- Foreign exchange gains	36	**97,435**	23,580
5- Income from participations		-	-
6- Income from subsidiaries and joint-ventures		-	-
7- Income from property, land and buildings		-	-
8- Income from derivatives		-	-
9- Other investments		-	-
10- Investment income transferred from life technical section		-	-
L- Investment expense (-)		**(949,812)**	(763,393)
1- Investment management expenses (interest included) (-)		-	-
2- Diminution in value of investments (-)		-	-
3- Loss from liquidation of investments (-)		-	-
4- Investment income transferred to non-life technical section (-)		-	-
5- Loss from derivatives (-)		-	-
6- Foreign exchange losses (-)	36	**(61,712)**	(55,312)
7- Depreciation expenses (-)	6, 8	**(888,100)**	(708,081)
8- Other investment expenses (-)		-	-
M- Income and expenses from other and extraordinary operations(+/-)		**(1,752,449)**	(1,963,797)
1- Provisions (+/-)	47.5	**(2,237,738)**	(931,080)
2- Rediscounts (+/-)		-	-
3- Special insurance account (+/-)		-	-
4- Inflation adjustment (+/-)		-	-
5- Deferred tax assets (+/-)	21, 35	**605,829**	(957,661)
6- Deferred tax liability expenses (-)		-	-
7- Other income and gains		**1,508**	145
8- Other expenses and losses (-)		**(122,048)**	(75,201)
9- Prior year's income and gains		-	-
10- Prior year's expenses and losses (-)		-	-
N- Net profit/(loss) for the period		**(7,611,913)**	(2,023,332)
1- Profit/(loss) for the period		**(7,611,913)**	(2,023,332)
2- Corporate tax provision and other fiscal liabilities (-)		-	-
3- Net profit/(loss) for the period		**(7,611,913)**	(2,023,332)
4- Inflation adjustment		-	-

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

(CURRENCY – TURKISH LIRA [TL])

December 31, 2011
Audited

Current period	Capital	Own shares (-)	Valuation reserves	Adjustment to share capital	Foreign currency translation differences	Legal reserves	Statutory reserves	Valuation of financial assets	Other reserves and undistributed profit	Net profit/ loss for the period	Retained earnings (accumulated losses)	Total
I- Balance as of December 31, 2010	**45,000,000**	-	-	**1,159,772**	-	-	-	**195,871**	-	**(2,023,332)**	**(16,716,018)**	**27,616,293**
II- Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
III- Adjusted balances (I + II) (January 1, 2011)	**45,000,000**	-	-	**1,159,772**	-	-	-	**195,871**	-	**(2,023,332)**	**(16,716,018)**	**27,616,293**
A- Capital increase (A1+A2)	4,000,000	-	-	-	-	-	-	-	-	-	-	4,000,000
1- Cash	4,000,000	-	-	-	-	-	-	-	-	-	-	4,000,000
2- Internal resources	-	-	-	-	-	-	-	-	-	-	-	-
B- Company's purchase of own shares	-	-	-	-	-	-	-	-	-	-	-	-
C- Income and loss not included in income statement	-	-	-	-	-	-	-	-	-	-	-	-
D- Increase in value of financial assets	-	-	-	-	-	-	-	(283,729)	-	-	-	(283,729)
E- Foreign currency translation difference	-	-	-	-	-	-	-	-	-	-	-	-
F- Other income and loss	-	-	-	-	-	-	-	-	-	-	-	-
G- Inflation restatement differences	-	-	-	-	-	-	-	-	-	-	-	-
H- Net profit / (loss) for the period	-	-	-	-	-	-	-	-	-	(7,611,913)	-	(7,611,913)
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
J- Transfer to prior year profits (losses)	-	-	-	-	-	-	-	-	-	2,023,332	(2,023,332)	-
IV- Balance as of December 31, 2011 (III+ A+B+C+D+E+F+G+H+I+J)	**49,000,000**	-	-	**1,159,772**	-	-	-	**(87,858)**	-	**(7,611,913)**	**(18,739,350)**	**23,720,651**

December 31, 2010
Audited

Current period	Capital	Own shares (-)	Valuation reserves	Adjustment to share capital	Foreign currency translation differences	Legal reserves	Statutory reserves	Valuation of financial assets	Other reserves and undistributed profit	Net profit/ loss for the period	Retained earnings (accumulated losses)	Total
I- Balance as of December 31, 2009	45,000,000	-	-	1,159,772	-	-	-	-	-	(364,390)	(16,351,628)	29,443,754
II- Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
III- Adjusted balances (I + II) (January 1, 2010)	45,000,000	-	-	1,159,772	-	-	-	-	-	(364,390)	(16,351,628)	29,443,754
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-	-
2- Internal resources	-	-	-	-	-	-	-	-	-	-	-	-
B- Company's purchase of own shares	-	-	-	-	-	-	-	-	-	-	-	-
C- Income and loss not included in income statement	-	-	-	-	-	-	-	-	-	-	-	-
D- Increase in value of financial assets	-	-	-	-	-	-	-	195,871	-	-	-	195,871
E- Foreign currency translation difference	-	-	-	-	-	-	-	-	-	-	-	-
F- Other income and loss	-	-	-	-	-	-	-	-	-	-	-	-
G- Inflation restatement differences	-	-	-	-	-	-	-	-	-	-	-	-
H- Net profit / (loss) for the period	-	-	-	-	-	-	-	-	-	(2,023,332)	-	(2,023,332)
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
J- Transfer to prior year profits (losses)	-	-	-	-	-	-	-	-	-	364,390	(364,390)	-
IV- Balance as of December 31, 2010 (III+ A+B+C+D+E+F+G+H+I+J)	45,000,000	-	-	1,159,772	-	-	-	195,871	-	(2,023,332)	(16,716,018)	27,616,293

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011
(CURRENCY – TURKISH LIRA [TL])

	Note	Audited Current period December 31, 2011	Audited Prior period December 31,2010
A. Cash flows from operating activities			
1. Cash flows from insurance activities		52,112,403	20,241,993
2. Cash flows from reinsurance activities		120,418	-
3. Cash flows from pension activities		38,026,207	26,551,684
4. Cash used in insurance activities (-)		(39,596,129)	(9,805,094)
5. Cash used in reinsurance activities (-)		-	-
6. Cash used in pension activities (-)		(44,304,094)	(28,240,471)
7. Cash flows from operating activities (A1+A2+A3-A4-A5-A6)		6,358,806	8,748,112
8. Interest payments (-)		-	-
9. Income tax payments (-)		(151,915)	-
10. Other cash inflows		8,006,222	1,793,927
11. Other cash outflows (-)		(7,691,239)	(1,528,724)
12. Net cash flows from operating activities		6,521,874	9,013,315
B. Cash flows from investing activities			
1. Proceeds from sale of tangible assets		107,419	-
2. Purchases of tangible assets (-)	6, 8	(2,898,890)	(1,840,654)
3. Purchases of financial assets (-)		(2,092,259)	(5,548,120)
4. Proceeds from sale of financial assets			-
5. Proceeds from interest received		3,496,649	2,270,154
6. Dividends received		-	-
7. Other cash inflows		97,436	28,678
8. Other cash outflows (-)		(1,233,542)	(567,522)
9. Net cash flows from investing activities		(2,523,186)	(5,657,464)
C. Cash flows from financing activities			
1. Proceeds from shares issued		-	-
2. Repayment of loans		-	-
3. Financial leasing payments (-)		-	-
4. Dividends paid (-)		-	-
5. Other cash inflows		4,000,000	-
6. Other cash outflows (-)		-	-
7. Net cash flows from financing activities		4,000,000	-
D. Impact of foreign exchange differences on cash and cash equivalents		63,477	13,321
E. Net increase / (decrease) in cash and cash equivalents (A12+B9+C7+D)		7,998,688	3,369,172
F. Cash and cash equivalents at beginning of period	14	38,784,066	35,414,894
G. Cash and cash equivalents at end of period (E+F)	14	46,782,754	38,784,066

The accompanying notes on pages 55 through 115 from an integral part of these financial statements.

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

1. General information

1.1 The title of the parent company and the ultimate shareholder

On December 4, 2008, Oyak Emeklilik A.Ş. was transferred to ING Continental Europe Holdings B.V. by diverging from Ordu Yardımlaşma Kurumu with approval of Undersecretariat of Turkish Treasury – Directorate of Insurance (Treasury) on November 25, 2008. The commercial title of the Company was decided to be changed as ING Emeklilik A.Ş. with an amendment on the main agreement at the ordinary general meeting of shareholders on January 26, 2009. The related decision and the amendment were registered on January 27, 2009 in conformity with Turkish Commercial Code numbered 6762. The shareholders' structure of the Company is presented below:

	December 31, 2011		December 31, 2010	
	Amount TL	**Shareholding %**	Amount TL	Shareholding %
ING Continental Europe Holdings B.V.	**48,999,996**	**100**	44,999,996	100
Other	**4**	**<1**	4	<1
	49,000,000	**100**	45,000,000	100

There has been a capital increase on May 24, 2011 with the Board of Directors' decision numbered 193, amounting to TL 4,000,000. It was paid as a cash on August 25, 2011 and the capital has increased to TL 49,000,000.

According to the Board of Directors' decision numbered 203 taken on December 19, 2011; it is decided that the capital will be increased to TL 74,000,000 by performing a capital increase at the amount of TL 25,000,000 until 1 March 2015. Based on this, as of February 20, 2012, the mentioned TL 25,000,000 has been paid in cash.

1.2 Company's address and legal structure, country where the company was founded and the address of the registered office (if the company's address is different from the address of the registered office, the main location where the operations are maintained)

The Company maintains its operations at headquarters located at Maslak Mh. Ahi Evran Cd. Olive Plaza No:11 Şişli, İstanbul and has joint stock company statute as per the Turkish Commercial Code.

1.3 The Company's main operations

The Company's main operations are insurance and reinsurance activities on private pension, personal accident and life insurance and other related activities. The Company is regulated under Private Pension, Saving and Investment System Law No. 4632 for its private pension operations, and under Insurance Law No. 5684 for life and personal accident insurance operations.

Eight pension funds were established by the Company as of December 31, 2011 (Eight pension funds were established by the Company as of December 31, 2010).

The Company operated in private pension activities until February 24, 2010, on that date, the Company obtained license to operate in the insurance activities from the Treasury. The operations have started on March 10, 2010 through ING Bank A.Ş. by providing life insurance for loan customers. Effective from August 16, 2010, the Company has also commenced personal accident insurance.

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

1. General information (continued)

1.4 Details of the Company's operations and nature of activities

Principles of the activities for private pension plans are regulated according to Private Pension, Saving and Investment System Law No. 4632, and those for life and personal accident insurance operations are regulated according to Insurance Law No.5684 and the related pronouncements in support of this Law.

1.5 Average number of employees by categories

	December 31, 2011 Unit	December 31, 2010 Unit
Executive management	3	3
Management	21	14
Specialist	121	91
Staff	-	7
Other	5	3
Total	**150**	118

1.6 Wages and other benefits given to executive management

The gross remuneration and fringe benefits provided to executive management such as the chairman of the board of directors and its members, general manager, assistant general managers and general coordinators are incurred as TL 2,452,097 in the period between January 1 - December 31, 2011 (December 31, 2010 – TL 2,226,720).

1.7 Criteria used in the distribution of investment income and underwriting expenses (personnel, administration, research and development, marketing, selling, and other underwriting expenses) in the financial statements

As of December 31,2011 the Company distributes its administrative expenses, research and development expenses, marketing and sales expenses, outsourced benefits and services and other operating expenses between the non life, life and private pension branches according to the distribution key published on August 9,2010 by the Treasury. The expenses allocated directly recorded as an expense for the related branch. The expenses that are not allocated are distributed to branches with calculation of expense rate according to a and d subclause of the third article of the circular numbered 2010/9 published by the Treasury.

As of December 31, 2010, the Company used the distribution key approved by the Treasury on April12, 2010 in its financial statements. Using this table, the Company is able to distribute investment income and underwriting expenses to the relevant branches. Since exclusive income/expenses are subject to distribution, the branch specific income/expenses are not included in the distribution tables. The key uses the ratio of pension certificate numbers and amount of contribution fees over policy numbers and premium production for the insurance branches.

1.8 Stand-alone or consolidated financial statements

Financial statements include financial information of ING Emeklilik A.Ş., only.

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

1. General information (continued)

1.9 Name of the reporting company or other information and the changes occurred since previous balance sheet date

Entity Name	: ING Emeklilik Anonim Şirketi
Headquarter Address	: Şişli, Maslak Mh. Ahi Evran Cd. Olive Plaza No:11 İstanbul
Phone	: (212) 334 05 00
Fax	: (212) 346 38 25
Web page address	: www.ingemeklilik.com.tr
E-mail address	: muhasebe@ingemeklilik.com.tr

1.10 Subsequent events

The Company's financial statements have been approved by Board of Directors resolution numbered 209 on March 2, 2012. General Assembly and regulatory bodies are authorized to make changes after publication of the financial statements. The subsequent events are explained at the footnote numbered 46.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

Accounting standards

The Company prepares its financial statements in accordance with the principles set out by the Treasury for Insurance and Reinsurance Companies and the Insurance Law No. 5684 and the related pronouncements in support of this Law declared in the 26552 numbered Official Gazette on June 14, 2007.

"The Decree on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" was published in the Official Gazette No: 26582 on July 14, 2007 and has become effective as of January 1, 2008. The decree requires the recognition and measurement of operations of the insurance and reinsurance companies in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) issued by Turkish Accounting Standards Board ("TASB")

In the announcement of Treasury No:9 and dated February 18, 2008, it is notified that the standards, "TFRS 4 – Insurance Contracts", "TAS 27 – Consolidated and Separate Financial Statements", and "TAS 1 – Presentation of Financial Statements", are not applicable. In accordance with "The Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies" published on the official gazette numbered 27097 and dated December 31, 2008, it is required to prepare consolidated financial statements. With reference to the notice of the Treasury No. 9 dated February 18, 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application. In addition, the companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008 and published in official gazette numbered 27097 effective from March 31, 2009.Necessary explainations related to consolidations are given at Note 2.2.

First paragraph of the 4th item of the aforesaid legislation affirms that "The Company's operations are accounted in accordance with the regulations stated by this legislation and principles set by TASB on the preparation and presentation of financial statements except for the subjects noted in 2nd paragraph set by the Treasury; where the 2nd paragraph states that "the principles on the preparation of the financial statements and related disclosures of insurance agreements; and the accounting standards on the preparation of the consolidated financial statements of affiliates, jointly controlled entities, and subsidiaries are determined by the communiqués declared by the Treasury".

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

2. Summary of significant accounting policies (continued)

a. Financial reporting in hyperinflationary economies

With respect to the declaration of the Treasury numbered 19387 and dated April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the inflation accounting section of the Capital Markets Board ("CMB") Communiqué XI No. 25 (which came into force as published in the Official Gazette numbered 25290 and dated November 15, 2003). Moreover, in the same decree of the Treasury also announced that insurance companies are not required to apply inflation accounting effective from January 1, 2005. Therefore non monetary assets, liabilities and shareholders' equity including share capital reported in the balance sheet as of December 31, 2011 and 2010 are derived by indexing the additions that occurred until December 31, 2004 and carrying the additions after this date with their nominal amounts.

b. Receivables from contract holders

Entrance fee from contract holders (participants) and other receivables are accounted for in this account. Entrance fee recorded in this account is paid by the contact holders who entered the private pension system.

c. Sales orders

This is the account in which the receivables for the related funds are recorded on behalf of contract holders, when a sale order is given to the portfolio management company for sale of fund shares of contract holders. When the sale order is given on behalf of contract holders, this account is debited and when the sale is realized, this account is credited.

d. Receivables of deductions for fund management fee

This account is used for the receivables for fund management fee which could not be collected in the same day. When the fund management fee is accrued, this account is debited. When the fund management fee is paid, this account is credited.

e. Receivables from/payables to the custodian

This account includes the receivables from the custodian for each fund, on behalf of contract holders. This receivable account and the liabilities of the contract holders are two reciprocal accounts.

This account indicates the liability of the Company to the contract holders in terms of funds. This fund based account in the liability side and the account in the asset side indicating receivables from the custodian in terms of contract holders are two reciprocal accounts.

f. Allocation of capital advance for pension funds

This account is used for the capital advance for pension funds established by the Company. Capital advance is not subject to valuation.

g. emporary accounts for contract holders

This account is used for recording the money that is not yet directed to investment on behalf of the contract holders. It is also used for recording the sales amount of the funds of the contract holders, net of entrance fee and other deductions, which will be paid to contract holders or transferred to other firms, in case of leaving the system or transferring their funds to another firm.

When a collection is made from the contract holders, or if the sale of fund shares is realized, this account is credited.

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

2. Summary of significant accounting policies (continued)

h. Unearned income

Unless the pension contract is rejected by the Company, private pension contracts are effective after 30 days after the proposal form is signed by the participant or any sponsor as stated in the Decree on Private Pension Regulations published in the official gazette numbered 26842, dated April 9, 2008 and effective on August 9, 2008. Departures from the private pension system before 30 days period are subject to procedures according to article 7 of related regulation.

If partial or all of the contribution fee or entrance fee is paid by the participant, the collected portion without any deduction has to be given back to the participant in 7 days. The Company journalizes the collections for contracts that are not yet effective in unearned income.

ı. Purchase orders account

Fund purchase orders to the portfolio management company on behalf of the contract holders are recorded in this account. When purchase order is given to the portfolio management company on behalf of the contract holder, this account is credited. When the purchase on behalf of the contract holder is realized, this account is debited.

i. Payables to private pension agencies

This account is used for recording payables to private pension agencies.

j.Effects of the changes in foreign exchange rates

The Company values foreign currency assets and liabilities with the exchange rates announced by Turkish Central Bank as at balance sheet date. The Company journalizes gain or loss on exchange rate differences in the income statement.

k. Subsequent events

Subsequent events cover any events which arise between the balance sheet date and the reporting date, including events subsequent to the announcement of net profit for the period or specific financial information publicly disclosed, if any.

The Company adjusts its financial statements if any subsequent events require adjustments in the financial statements.

2.1.2 Other related accounting policies relevant for the financial statements

Accounting policies are explained in note "2.1.1, Information about the basis and special accounting policies used in the preparation of the financial statements" and in the other notes below.

2.1.3 Functional currency

Financial statements are expressed in Turkish Lira (TL) as functional currency and presentation currency for the financial statements which is the currency relevant in the economic environment that the Company operates (functional currency).

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full Turkish Lira (TL).

2.1.5 Measurement method (or methods) used in the presentation of the financial statements

The financial statements have been prepared on the historical cost basis.

ING EMEKLİLİK ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011
(AMOUNTS EXPRESSED IN – TURKISH LIRA [TL] UNLESS OTHERWISE STATED)

2. Summary of significant accounting policies (continued)

2.1.6 Changes in accounting policies and estimates and errors.

Adoption of new and revised Turkish Financial Reporting Standards.

The accounting policies adopted in preparation of the financial statements as at 31 December 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2011. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

• TFRIC 14 TAS 19–The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction–Prepayments of a Minimum Funding Requirement (amended),
• TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments,
• TAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended),
• TAS 24 Related Party Disclosures (Revised).

These standards and interpretations do not affect the Company's activities and financial statements

The new standards, amendments and interpretations which are effective as at 1 January 2011 are as follows:

IFRIC 14 IAS 19–The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction– Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. *The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.*

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. *The adoption of the interpretation did not have any impact on the financial position or performance of the Company.*

IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. *The amendment has no effect on the financial position or performance of the Company because the Company does not have these types of instruments.*

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. *The adoption of the amendment did not have any impact on the financial position or performance of the Company.*

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. *The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.* There are separate transitional provisions for each standard. The amendments that are effective as at 1 January 2011 are as follows:

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2. Summary of significant accounting policies (continued)

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

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2. Summary of significant accounting policies (continued)

IFRIC 13 Customer Loyalty Programmes

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Standards issued but not yet effective and not early adopted Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. *The amendment affects presentation only and will have no impact on the financial position or performance of the Company.*

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. *The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.*

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. *The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.*

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. *This amendment will not have any impact on the financial position or performance of the Company.*

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2. Summary of significant accounting policies (continued)

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. *The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.*

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. *The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.*

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after 1 July 2011.Comparative disclosures are not required. *The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.*

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. *The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.*

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. *The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.*

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2. Summary of significant accounting policies (continued)

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. *The new standard has no impact on the the financial position or performance of the Company.*

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. *The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.*

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. *Under the new standard the Company will provide more comprehensive disclosures for interests in other entities.*

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted – that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. *The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company*.

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2. Summary of significant accounting policies (continued)

2.2 Consolidation

Under Turkish Treasury's Sector Announcement dated 12 August 2008 and no 2008/36 regarding Charging of Insurance and Reinsurance, and Pension Companies' Investments in Subsidiaries, Jointly Controlled Partnerships and Participations to Individual Financial Statements and Consolidated Financial Statements Communiqué dated 31 December 2008; it is ruled that mentioned partnership can be excluded from the scope of consolidation by considering the principle of materiality in case total assets of subsidiary, jointly controlled partnership or participation is less than 1% of the total assets of the parent company and in case the total partnership shares of subsidiaries, participations and jointly controlled partnerships which are under this limit do not exceed 5% of the total assets of parent company. The Company has established a joint venture by the name of EMK Sigorta Aracılık Hizmetleri Anonim Şirketi as 50% partner. Establishment of the joint venture was recorded at Trade Register on 24 November 2011. Size of assets of the joint venture is TL 212,533 and it has not been consolidated in financial statements of the Company considering the principle of materiality.

2.3 Segment reporting

As of December 31, 2011 and 2010, the Company operates in Turkey in private pension business segment and as of March 10, 2010 and August 16, 2010, the Company has started to operate in life and personal accident insurance, respectively. Moreover, the Company is not listed. Due to these facts, segment reporting is not disclosed.

2.4 Transactions in foreign currencies

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

In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies or foreign currency indexed monetary assets and liabilities are retranslated into Turkish Lira at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

2.5 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for use in operations, if any, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

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2. Summary of significant accounting policies (continued)

Property and equipment are depreciated with useful lives stated below:

	Useful life
Machinery and equipment	5 years
Vehicles	4 years
Fixtures	5-10 years
Leasehold improvements	5 years

2.6 Investment properties

The Company does not have any investment property as at balance sheet date.

2.7 Intangible assets

Intangible assets acquired

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives (5 years). Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are amortized over their estimated useful lives (5 years).

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

2.8 Financial assets

Financial investments are initially recognized at fair value, net of transaction costs attributable to the purchase transaction directly except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables".

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2. Summary of significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit and loss (Held-for-trading financial assets)

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if any.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Financial assets other than (a) held-to-maturity financial assets, (b) held for trading assets and (c) loans and receivables are classified as available-for-sale, and are measured at subsequent reporting dates at fair value if their fair values can be reliably measured.

The financial investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses arising from available for sale financial assets (interest, dividend, etc…) are included in the profit or loss for the relevant period. Changes in the fair value of such assets are recognized directly in equity.

When the asset is disposed of or is determined to be impaired, cumulative gain or loss previously recognized under equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments other than equity investments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

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2. Summary of significant accounting policies (continued)

2.9 Impairment of assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that are subject to impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Besides, the Company provides provision for doubtful receivables in administrative and legal follow-up that recoverability may not be possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except trade receivables.

When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the provision account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The impairment losses arising due to the value decreases of the available for sale portfolio of the Company is recognized under "financial expenses" account in the profit and loss statement.

2.10 Derivative financial instruments

As of balance sheet date, the Company has no derivative financial instruments.

2.11 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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2. Summary of significant accounting policies (continued)

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, demand deposits and other short-term highly liquid investments which their original maturities are three months or less, that are readily convertible to cash and are subject to an insignificant risk of changes in value.

2.13 Share capital

As of December 31, 2011, the Company's nominal capital is TL 49,000,000, and is formed by 49,000,000 shares with a par value of TL 1 (one) per share. (As of December 31, 2010, the Company's nominal capital is TL 45,000,000, and is formed by 45,000,000 shares with a par value of TL 1 (one) per share.)

The Company is not subject to registered capital system and there are no shares having voting right preference.

There has been a capital increase on May 24, 2011 with the BOD decision numbered 193, amounting to TL 4,000,000. It was paid as a cash on August 25, 2011 and the capital has increased to TL 49,000,000.

The capital of the Company has been increased by TL 25,000,000 as cash from TL 49,000,000 to TL 74,000,000 at General Meeting of Shareholders numbered 203 as of December 19, 2011. This desicion is registered at of May 13, 2010 and announced in the Trade Registry Gazette numbered 7567 on May 20, 2010. The capital increase is paid in full at February 20, 2012.

2.14 Insurance and investment contracts-classification

Insurance contracts:

Insurance contracts are contracts that provide protection to the insured against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy according to TFRS 4.

The Company records policies on the date the insurance risk is transferred and keeps them under insurance policies until all rights and obligations relating to the policy have expired and/or matured (December 31, 2010: None)

Investment contracts:

All policies in the Company portfolio are treated as insurance contracts.

Reinsurance agreements:

Reinsurance is the transfer of partial or all of the risk of the insurance company to the reinsurance company. It is a kind of guarantee or hedge for the insurance company.

The purpose of reinsurance is risk proliferation, increasing and supporting the insurance company's capacity and flexibility to accept policies, controlling the catastrophic damages amongst others. Reinsurers can also share their technical knowledge and experience which they have gathered as a result of working with many companies in various markets with other insurance companies.

As all details related to the transactions and processes has to be included in the reinsurance agreements, scope, description and technical details of ceded business, evaluation of business acceptance and claims, general and specific conditions and legal framework of the agreement are maintained to be disclosed explicitly in the agreement.

2.15 Insurance and investment contracts with discretionary participation features

None.

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2. Summary of significant accounting policies (continued)

2.16 Investment contracts without discretionary participation features

None.

2.17 Borrowings

Contractual financial liabilities are liabilities which foresee the Company:

• to give another entity cash or other financial assets, or
• to exchange financial assets on a contractual basis with another entity in favor of the other party.

As of December 31, 2011, the Company has no borrowing liability.

2.18 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of temporary differences, goodwill and other assets and liabilities in a transaction that have no impact on the profit and loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are stated on a net basis in the financial statements.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

2.19 Employee benefits

(a) Defined benefit plans :

In accordance with current labor law, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company calculated the liability using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating the services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date and reflected to the financial statements. All actuarial gains and losses are recognized in income statement.

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2. Summary of significant accounting policies (continued)

(b) Defined contribution plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as payroll expense in the period they are accrued.

2.20 Provisions

Provisions, contingent liabilities and contingent assets

Provisions in accordance with TAS 37 are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are not recognized in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.As of balance sheet date the Company is reserved TL 1,053,639 for the lawsuits filed against the Company in the accompanying financial statements (December 31, 2010 – TL 884,639). There are no other claims filed against the Company after December 31, 2011 which may have material effect on the financial statements of the Company.

Technical provisions

The Company also books provisions relating to contractual obligations from insurance policies other than those in scope of TAS 37.

Unearned premium reserve

According to the 5th article of the "Decree on the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Decree on Technical Reserves") issued at the Official Gazette No:26606 dated August 27, 2007, the Company accounted for unearned premium reserve calculated on a daily basis for all policies in force without deducting commissions or any other expenses after January 1, 2008.

According to paragraph five of article five of the same Decree, commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium are recorded under deferred expenses and income and other related accounts. Deferred commission expense and income as of December 31, 2011 TL 1,753,767 TL and TL 30,309, respectively (December 31, 2010 –Deferred commission expense and income as of December 31, 2010 TL 502,637 TL and TL 12,422, respectively).

Unexpired risks reserve

According to Article 6 of the Decree on Technical Reserves, the Company can provide provision at accepted branches that assumed risk level is not compatible with distribution of earned premiums, in case of if the unearned premiums cannot meet with assumed risk and expected costs to unearned premiums reserves. As of December 31, 2011 there is no requirement for unexpired risk reserve for the Company (December 31, 2010 - None).

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2. Summary of significant accounting policies (continued)

Outstanding claim reserve

The Company accounts for outstanding claim reserve for ultimate cost of the claims incurred, but not paid in the current or previous periods and for the estimated ultimate cost if the cost is not certain yet.

Insurance companies are required to account additional reserves for incurred but not reported claims (IBNR). In calculation of IBNR, the Company is required to consider five years' historic information. Since the Company has started to issue life and personal accident policies since March 10, 2010 and August 16, 2010, respectively, there is not sufficient statistical dataset. Hence the Company has considered 50% sector averages and 50% statistical data according to the actuarial opinion. Sector averages have published in The Association of Insurance and Reinsurance Companies' circular dated December 8, 2011 No. 2011/608 in the calculation of IBNR. As of December 31, 2011, the company recognized TL 709,749 gross IBNR, TL 28,827 ceded IBNR,TL 781,444 gross outstanding claim reserve and TL 2,964 ceded outstanding claim reserve (As of December 31, 2010, the company recognized TL 438,310 gross IBNR, TL 13,555 ceded IBNR and TL 140,310 outstanding claim reserve).

Since the Company does not have sufficient actuarial dataset as of December 31, 2011, the actuarial chain ladder method (ACLM) has not been calculated.

Life mathematical reserves

Life mathematical reserves comprise of actuarial mathematical reserves determined according to the technical principles set out in the tariffs for all of the policies in force and represent the Company's total liability to the policyholders in the life branch. The mathematical reserves are the difference between the present values of the claims that are committed to be paid to the insured and dependants and premiums received for the risk undertaken. Actuarial mathematical reserves are provided according to the formulations in the technical principles of tariffs for the life policies over one year. Actuarial mathematical reserves are calculated as the difference between the present values of the liabilities to be fulfilled by the insurance company in the future and premiums to be paid by the insured in the future (prospective method). However, in the case where actuarial mathematical reserves are calculated as the difference between the total of premiums paid by the insured and the result of the risk undertaken by the insurance company (retrospective method) or according to the general accepted actuarial methods, actuarial mathematical reserves can not be lower than this total. Negative results are considered as nil. Actuarial mathematical reserves can be calculated according to accrual or collection principle based on the technical characteristics of the tariff. The company recognized TL 22,550,096 life mathematical reserve as of December 31, 2011 (December 31, 2010 - TL 10,435,706).

Equalization reserve

According to the Decree on Technical Reserves, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverages in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods.

Based on the sector announcement numbered 2009/9 dated March 27, 2009, insurance companies are required to recognize equalization reserve for the insurance contracts including additional earthquake coverage in life and personal accident branches for death and disability due to earthquake. In addition, the calculation technique of the equalization reserves determined by the Treasury by Decree numbered 27655 and dated July 28, 2010 has been changed. According to the related fifth paragraph of article 9 of the same Decree entitled as "Equalization Reserves", insurance companies can use their own statistical dataset for calculation of the equalization reserves for the life policies that have death coverage, but entities not having their own statistical dataset, are required to provide equalization reserve via considering 11% of the amount of premium related to death coverage (also include costs share) as earthquake premium and 12% of the same amount as equalization reserve. As of December 31, 2011 the Company made equalization provision amounting to TL 731,263 (31 December 2010 – TL 233,761).

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2. Summary of significant accounting policies (continued)

2.21 Revenue recognition

Written premiums

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by providing unearned premium reserve.

Received and paid commissions

Received and paid commissions are comprised of commissions paid related to the written premiums and commission received related to the ceded premiums to reinsurance companies and are accounted under technical income/expense accounts of life and non-life underwriting expenses in the income statement. Paid and received commissions are accounted under underwriting expenses as net in the income statement and deferred expenses and deferred income in the balance sheet on accrual basis.

Fund management income

This is the account in which fund operating fee is accounted as maximum of 0,01% of the fund net asset value.

Administrative (management) expense charges

This is the account in which administrative expense fee is recorded as maximum of 8% of the private pension contributions.

Income from the entrance (subscription) fee

This account is used for recording the entrance fee that is received from the policyholder or the person acting on behalf of the policyholder who is entering the system for the first time or opening a new pension account, subject to a maximum amount of half of monthly gross minimum wage effective on the date of signing of pension policy proposal form.

Interest income from capital advance

This is the account in which the positive difference between the advance amount and the sale proceeds of fund certificates after deducting any costs incurred during the establishment of the fund from portfolio value increase generated in between the establishment date of pension funds and the date of fund certificate sale.

Pension underwriting expenses

Management and underwriting expenses of pension business are recognized in this account.

Agency commissions

The commissions that are accrued for the payment to private pension agencies are recorded in this account.

Interest income and expense

Interest income and expenses are calculated according to the effective interest method and accounted in the income statement on accrual basis.

Dividend income

Dividend is recognized as income when the right of collection is obtained.

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2. Summary of significant accounting policies (continued)

2.22 Leasing – the Company as lessor

The Company has no leasing receivables as of the balance sheet date.

2.23 Profit share distribution

Dividend per share

None.

2.24 Related parties

For the purposes of the financial statements, the shareholders, key management personnel and member of the Board of the Directors, in each case together with companies controlled by or affiliated with them are considered and referred to as related parties (Note 8).

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

ING Group of companies, other than shareholders and senior managers have been identified as other related parties in disclosures of December 31, 2011 and December 31, 2010 financials.

2.25 Additional paragraph for convenience translation to English:

The effects of differences between those accounting principles and standards set out by insurance laws and regulations and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance, changes in equity and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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3. Significant accounting estimates and judgements

The preparation of financial statements requires the Company's management to make judgments, estimates and assumptions that affect certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting year. Actual results could differ from those judgments, estimates and assumptions. These judgments, estimates and recognized in the income statement when realized. Significant estimates used in the preparation of financial statements are mainly related with the fair value of financial assets, retirement pay liability, asset impairment, provision for lawsuits and calculation of deferred tax assets and are disclosed as below:

Deferred tax

The Company has TL 9,327,132 carry forward tax losses as of the current year end available against taxable profits (December 31, 2010: TL 4,035,149). The Company has not recognized deferred tax assets for these losses considering the future projections and with respect to the principle of prudence.

Doubtful receivables provision

Doubtful receivables provisions are related to the total amount of receivables assessed by the Company's management, to cover the future potential losses arising from the non-collectability of the receivables as of the balance sheet date, upon the current state of the economy. The total amount of the provision is determined according to the valuation results, performances, market credibility, collection performances following balance sheet date, and the restructuring on the receivables. The doubtful receivables provision as of the balance sheet date is disclosed in disclosure 12.1.

Defined benefit plans

The Company has calculated and accounted provision for employment termination benefits in the accompanying financial statements using actuarial estimations.

Provisions for lawsuits

As of December 31, 2011 and December 31, 2010, in accordance with advices received from lawyer of the Company, the Company has recognized full provision for cases, including all lawyer fees totally amounting to TL 1,053,639 (December 31, 2010 - TL 884,639) based on the consideration that the case will be lost and cash outflow is expected.

For technical and other provisions, all of the estimates and assumptions made by the Company are disclosed in the relevant footnotes.

4. Insurance and financial risk management

4.1 Risk management and insurance risk

4.1.1 Risk management process, operational risk and compliance risk

Definition and measurement of operational risks, identification and application of risk policies and application procedures, establishing, application, follow up and reporting of adequate controls to decrease the risk level are maintained via Risk Management Process set up by the Company.

Operational risk is the risk that the Company suffers directly or indirectly due to its internal processes, human resources and inadequacy or failure of systems or external factors. It is aimed that the Company adds value to participants, shareholders and employees through the control of the risks faced, decreasing the losses and maintaining risk sensitive profitability analysis by establishing a strong risk management system.

Goals of the operational risk function:

- Increasing the awareness for operational risk,
- Working with the management and maintaining their operations in line with the risk appetite of the executive management,
- Development of early warning system,
- Following the actions decreasing the risks and ensuring that the additional precautions to be taken,
- Thus, ultimately operational risk cost to be reduced.

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4. Insurance and financial risk management (continued)

Risk management of the Company is as follows:

	Responsibles	Authorization and duties
1. Defence Line	Units running the business	Managers are responsible at first degree to ensure that operational risk and compliance risk is managed in the daily work flow.
2. Defence Line	Compliance and Risk Management	Risk function supports the management in the identification of risk appetite, strategies and policies. It inquiries the efficiency and adequacy of the risk definitions, risk reportings and action plans related to the decrease of risk levels.
3. Defence Line	Audit	It carries out the audits for financial, operational, compliance and risk management. It provides independent and objective assurance in efficiency of internal controls and risk management..

Risk management process is composed of following steps:

- Definition of risks,
- Measurement and rating of the risks,
- Preparing the risk profile of the Company,
- Identification of risk appetite,
- Follow up and control of the risks,
- Reporting.

Operational risk categories are as follows:

- Control risk,
- Unauthorised Activity Risk,
- Processing Risk,
- Employment Practice & Workplace Security Risk,
- Information (Technology) Risk,
- Business Continuity Risk,
- Compliance Risk,
- Internal Fraud Risk,
- External Fraud Risk.

Operational Risk Management Process is still in progress covering all of the Company operations and departments related to this defined risks.

Compliance risk is considered as a separate category due to the significance. Compliance risk is the risk not representing correct and fair results in the operations and business of the Company. Compliance risk is the failure risk in compliance of the Company to business principles, legislation and financial services which is the main business of the Company.

Compliance Risk Management is as follows:

- Compliance to the legislation,
- Compliance to code of conduct,
- Compliance to Company and ING business principles,
- Compliance to corporate governance standards.

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4. Insurance and financial risk management (continued)

ING Group has several policies related to risk management and compliance effective in its subsidiaries. Some of them are as follows:

- Code of Conduct,
- Financial Economical Crime Policy,
- Insider Trading Policy,
- Whistleblower Policy,
- Gifts, Entertainment and Anti Bribery Policy.

4.1.2 Information about insurance risk (before and after reinsurance)

4.1.2.1 Sensitivity to insurance risk

The risk under any one insurance contact is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The Company defined its risk acceptance policies with the reinsurers in 2010 which the Company started to operate in insurance activities. Those coverages over identified limits are subject to medical and financial evaluation. Policy production of the Company is based on the distribution of the risks among reinsurers in an optimum way in accordance with the policy and risk type and the magnitude.

The Company has surplus and catastrophic excess of loss treaties in life and non-life businesses. In addition to that, the Company can engage in facultative agreements for those risks exceeding automatic treaty limit. The Company has set TL 130,000 limit per the insured in its 2011 surplus treaty.

4.1.2.2 Concentration risk (geographical, nature and currency)

The Company issues policies in life and personal accident branch. According to this, insurance concentration in terms of nature is disclosed below as gross and net.

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December 31, 2011	**Total gross risk coverage**	**Total ceded risk coverage**	**Net risk coverage**
Life	**5,268,918,521**	**(259,064,261)**	**5,009,854,260**
Personal accident	**3,065,718,481**	**(141,992,317)**	**2,923,726,164**
Total	**8,334,637,002**	**(401,056,578)**	**7,933,580,424**

December 31, 2010	Total gross risk coverage	Total ceded risk coverage	Net risk coverage
Life	1,876,825,141	(21,008,053)	1,855,817,088
Personal accident	911,404,308	(78,916,907)	832,487,401
Total	2,788,229,449	(99,924,960)	2,688,304,489

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4. Insurance and financial risk management (continued)

4.1.2.3 Comparison of incurred losses with prior estimates (claim development process)

Current year's incurred losses are disclosed below.

December 31, 2011	**Gross**	**Ceded**	**Net**
Incurred loss - Life	**3,410,748**	**(15,060)**	**3,395,688**
Incurred loss - Personal accident	**297,363**	**(6,556)**	**290,807**
Total	**3,708,111**	**(21,616)**	**3,686,495**

December 31, 2010	Gross	Ceded	Net
Incurred loss - Life	1,173,735	(6,980)	1,166,755
Incurred loss - Personal accident	26,878	(6,575)	20,303
Total	1,200,613	(13,555)	1,187,058

4.1.2.4 Impacts of assumption changes in the financial statements (material)

Reserves and their balance sheet impacts as of December 31, 2011 are as follows.

• Unexpired risks reserve

It is the reserve provided for the possibility that the liabilities related to the insurance contracts are greater than the unearned premium reserve. It is calculated for the prior 12 months for each reporting period.

Impact on balance sheet at December 31, 2011: No reserve is provided according to the results of calculations. (December 31, 2010 - The Company started to operate in life and personal accident businesses on March 10, 2010 and August 16, 2010, respectively, therefore, no reserve is provided).

• IBNR and ACLM

According to the article 7, paragraph 3 of Decree on Technical reserves, insurance companies are required to select the most appropriate method among five methods proposed by the Treasury. Past claim dataset shall be used and current period's outstanding claim reserve shall be estimated. According to the 6th paragraph of the same article, companies are required to estimate IBNR in the proposed method by the Treasury. Finally, according to the 8th paragraph, two outcomes from ACLM and IBNR are compared in total and the biggest one shall be selected but additional reserve shall be accounted in branch basis.

Insurance companies are required to account additional reserves for incurred but not reported claims (IBNR). In calculation of IBNR, the Company is required to consider five years' historic information. Since the Company has started to issue life and personal accident policies since March 10, 2010 and August 16, 2010, respectively, there is not sufficient statistical dataset. Hence the Company has considered 50 % sector averages and 50 % statistical data according to the actuarial opinion. Sector averages have published in The Association of Insurance and Reinsurance Companies' circular dated December 8, 2011 No. 2011/608 in the calculation of IBNR. As of December 31, 2011, the company recognized TL 709,749 gross IBNR, TL 28,827 ceded IBNR , TL 781,444 outstanding claim reserve and TL 2,964 ceded outstanding claim reserve (As of December 31, 2010, the company recognized TL 438,310 gross IBNR, TL 13,555 ceded IBNR and TL 140,310 outstanding claim reserve).

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4. Insurance and financial risk management (continued)

The Company has not performed a calculation for ACLM since there is no statistical dataset as of December 31, 2011.

• Unearned premium reserve

According to the 5th article of the Decree on the Technical Reserves, the Company accounted for gross unearned premium reserve calculated on a daily basis for all policies in force without deducting commissions or any other expenses after January 1, 2008.

Impact on balance sheet at December 31, 2011: Gross unearned premiums reserves accounted as of December 31, 2011 by the Company are TL 3,164,227 and TL 1,560,364 for life and personal accident branches, respectively (December 31, 2010 – TL 808,598 and TL 671,107 for life and personal accident branches, respectively).

• Equalization reserve

According to the 9th paragraph of the Decree on Technical Reserves issued based on the insurance law numbered 5684, the Company provided equalization reserve in its financial statements for earthquake and credit coverages in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. According to the related fifth paragraph of article 9 of the same Decree entitled as "Equalization Reserves", insurance companies can use their own statistical dataset for calculation of the equalization reserves for the life policies that have death coverage, but entities not having their own statistical dataset, are required to provide equalization reserve via considering 11% of the amount of premium related to death coverage (also include costs share) as earthquake premium and 12% of the same amount as equalization reserve.

Impact on balance sheet at December 31, 2011: Gross equalization reserve accounted as of December 31, 2011 by the Company are TL 676,478 and TL 54,785 for life and personal accident branches, respectively (December 31, 2010 – TL 256,441 and TL 17,506 for life and personal accident branches, respectively).

• Life mathematical reserves

It is the reserve provided for the liabilities to the insured and dependants and calculated according to actuarial principles for life, health and personal accident contracts over than one year by the companies operated in life and non-life branches.

Impact on balance sheet at December 31, 2011: Gross reserve set by the Company as of December 31, 2011 is TL 22,615,134 (December 31, 2010 – TL 10,467,587).

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4. Insurance and financial risk management (continued)

4.2 Financial risk

4.2.1 Capital risk management and disclosures about the capital requirement

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain the well being of shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital adequacy based on "The Decree Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008 is as follows:

Summarized capital adequacy table	**December 31, 2011**	December 31, 2010
1. Method		
Required capital for non-life branches	**454,539**	103,113
Required capital for life branch	**7,560,425**	3,203,813
Required capital for pension branch	**3,820,903**	3,474,400
Total required capital	**11,835,867**	6,781,326
2. Method		
Asset risk	**6,896,849**	3,213,099
Reinsurance risk	**74,936**	8,901
Excess premium risk	**3,240,876**	-
Outstanding claims risk	**36,530**	14,127
Underwriting risk	**1,932,024**	1,006,916
Exchange and interest rate risk	**51,203**	14,459
Total required capital	**12,232,418**	4,257,502
Shareholders' equity	**24,451,913**	27,850,054
Required capital	**12,232,418**	6,781,326
Capital adequacy result	**12,169,495**	21,068,728

4.2.2 Financial risk factors

The Company is subject to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its financial assets and liabilities. The Company's risk management program focuses on minimizing the negative effects of the uncertainties in financial markets on the Company's financial statements. The Company is subject to credit risk due to its life, non-life and pension receivables. The detailed information on these receivables is given in note 12.

Market risk

The Company is subject to market risk as a result of the changes in exchange rates, interest rates and market prices of equity shares.

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4. Insurance and financial risk management (continued)

Foreign currency risk

The Company's foreign currency denominated assets and liabilities are exposed to currency risk. The details of the foreign currency denominated assets and liabilities as of December 31, 2011 and December 31, 2010 are stated below:

	December 31, 2011			December 31, 2010		
	Foreign currency amount	**Exchange rate (buying)**	**Amount TL**	Foreign currency amount	Exchange rate (buying)	Amount TL
Foreign currency assets						
Banks (foreign currency):						
US Dollars	**231,498**	**1,8889**	**437,277**	224,579	1.5460	347,200
Euro	**24,701**	**2,4438**	**60,364**	23,364	2.0491	47,875
Total			**497,641**			395,075

	December 31, 2011			December 31, 2010		
	Foreign currency amount	**Exchange rate (buying)**	**Amount TL**	Foreign currency amount	Exchange rate (buying)	Amount TL
Foreign currency liabilities						
Deposits and guaranteesreceived:						
US Dollars	**24,099**	**1,8889**	**45,521**	20,859	1.5460	32,248
Euro	**9,305**	**2,4438**	**22,740**	12,757	2.0491	26,140
Expense accruals:						
Euro	**456,578**	**2,4438**	**1,115,785**	44,587	2.0491	91,363
US Dollars	**-**	**-**	**-**	33,984	1.5460	52,539
Total			**1,184,046**			202,290
Net position			**(686,405)**			192,785

Foreign currency sensitivity

The Company's sensitivity to an increase and decrease in US Dollar and Euro exchange rates by 10% is presented below. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity items

	December 31, 2011		December 31, 2010	
	USD impact	**Euro impact**	USD impact	Euro impact
Profit/ (loss) - increase	**39,176**	**(107,816)**	26,241	(6,963)
Profit/ (loss) - decrease	**(39,176)**	**107,816**	(26,241)	6,963

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4. Insurance and financial risk management (continued))

Interest rate risk

The Company's sensitivity to interest rate risk is related to the change in the fair values or expected cash inflows of the financial assets due to the fluctuations in the interest rates. The Company closely monitors interest rate risk by monitoring market conditions and appropriate valuation methods.

Below table indicates the impacts of a 5% increase/(decrease) in market interest rates on profit and profit reserves as of December 31,2011, ceteris paribus. The logic used in this analysis utilizes the correlation between the average TL bond rate fluctuations, used as the benchmark, and the average interest rate fluctuations of other bonds. Using this correlation, the effect of the 5% change in TL bonds is extrapolated to calculate the effect on other bonds, finding new interest rates and consequently calculating new prices.

	Impact on profit and profit reserves December 31, 2011	Impact on profit and profit reserves December 31, 2010
Market interest increase/(decrease)	**TL**	TL
5% increase	**58,485**	16,487
5% decrease	**(71,877)**	(16,621)

Available for sale financial assets	**Impact on profit/loss**	Impact on profit/loss
	December 31, 2011	December 31, 2010
Market interest increase/(decrease)	**TL**	TL
5% increase	**(58,485)**	(16,487)
5% decrease	**71,877**	16,621

Cash and cash equivalents	**Impact on profit/loss December 31, 2011**	Impact on profit/loss December 31, 2010
Market interest increase/(decrease)	**TL**	TL
5% increase	**(5,544)**	(3,383)
5% decrease	**5,544**	3,398

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4. Insurance and financial risk management (continued))

Price risk

The Company is subject to price risk due to its available for sale investments measured with market prices.

Below table indicates the impact of a 5% increase/(decrease) in market prices of government bonds on the Company's financial assets available for sale portfolio, ceteris paribus:

December 31, 2011	**Market price increase/(decrease)**	**Impact on assets**
	5%	**425,809**
	(5%)	**(425,809)**

December 31, 2010	Market price increase/(decrease)	Impact on assets
	5%	294.469
	(5%)	(294.469)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit exposure is controlled by counterparty limits and obtaining sufficient collateral. Amounts of collaterals and the limits are determined by assessing the criteria such as each party's financial position and trading capacity. Credit risk of the Company is in Turkey, where it operates.

Receivables from life, non-life and private pension activities, collaterals taken for these receivables and doubtful receivables provision provided as of the balance sheet date are stated in note 12.1. There are no restructured receivables.

Financial assets other than the receivables, cash at banks and other cash equivalents are subject to credit risk. All such assets are considered as financial assets that are neither impaired nor overdue.

Liquidity risk

Liquidity risk is the risk that the Company can not meet its net funding liabilities. Cases such as meltdowns in markets or decrease in the credit rating that cause decreases in fund resources would generate liquidity risk. The Company management manages the liquidity risk through holding adequate cash and cash equivalents and distributing the fund resources to meet the current and possible liabilities.

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4. Insurance and financial risk management (continued)

Categories of financial instruments:

December 31, 2011

	Overdue	On demand	Up to 1 Month	1-3 Month	3 Month - 1 year	1 – 5 years	More than 1 year	Unallocated	Total
Cash and cash equivalents	-	2,085,917	34,689,895	10,337,091	-	-	-	-	**47,112,903**
Financial assets	-	-	-	-	-	8,779,404	-	-	**8,779,404**
Trade receivables	1,319,542	-	8,538,720	472,120	4,954,331	899,941	-	778,361,051	**794,545,705**
Due from related parties	393,636	-	356	3,470	10	3,594	-	-	**401,066**
Tangible assets	-	-	-	-	-	-	-	3,672,474	**3,672,474**
Intangible assets	-	-	-	-	-	-	-	1,249,130	**1,249,130**
Deferred tax assets	-	-	-	-	-	-	-	989,605	**989,605**
Other receivables and current assets	-	-	-	206,739	-	2,191,681	-	25,988	**2,424,408**
Financial assets	-	-	-	-	-	-	-	50,000	**50,000**
Total assets	**1,713,178**	**2,085,917**	**43,228,971**	**11,019,420**	**4,954,341**	**11,874,620**	**-**	**784,348,248**	**859,224,695**
Trade payables	-	-	18,440,115	-	-	-	-	778,361,051	**796,801,166**
Due to related parties	-	-	2,383,092	-	-	-	-	-	**2,383,092**
Provisions	-	-	2,187,775	1,134,740	5,169,588	21,013,883	604,860	4,104,424	**34,215,270**
Total equity	-	-	-	-	-	-	-	23,720,651	**23,720,651**
Other liabilities	-	-	1,907,092	-	30,309	-	-	167,115	**2,104,516**
Total liabilities and equity	**-**	**-**	**24,918,074**	**1,134,740**	**5,199,897**	**21,013,883**	**604,860**	**806,353,241**	**859,224,695**
Net liquidity surplus / (deficit)	**1,713,178**	**2,085,917**	**18,310,897**	**9,884,680**	**(245,556)**	**(9,139,263)**	**(604,860)**	**(22,004,993)**	**-**

December 31, 2010

	Overdue	On demand	Up to 1 Month	1-3 Month	3 Month - 1 year	1 – 5 years	More than 1 year	Unallocated	Total
Cash and cash equivalents	-	9,435,220	29,546,913	-	-	-	-	-	38,982,133
Financial assets	-	-	-	-	-	3,895,277	1,994,100	263,222	6,152,599
Trade receivables	16,252	-	6,062,750	268,490	1,542,738	119,841	-	639,760,041	647,770,112
Due from related parties	91,203	-	59,371	104,036	659,617	-	-	-	914,227
Tangible assets	-	-	-	-	-	-	-	1,327,610	1,327,610
Intangible assets	-	-	-	-	-	-	-	1,318,056	1,318,056
Deferred tax assets	-	-	-	-	-	384,001	-	-	384,001
Other receivables and current assets	-	-	-	5,711	496,926	-	-	490,560	993,197
Total assets	107,455	9,435,220	35,669,034	378,237	2,699,281	4,399,119	1,994,100	643,159,489	697,841,935
Financial liabilities	-	-	-	-	-	-	-	-	-
Trade payables			13,343,596				-	639,760,041	653,103,637
Due to related parties	-	-	708,421	-	-	-	-	-	708,421
Provisions	-	-	13,480	16,216	1,919,776	10,435,706	-	2,079,524	14,464,702
Total equity	-	-	-	-	-	-	-	27,616,293	27,616,293
Other liabilities	-	-	1,662,782	-	12,422	182,252	-	91,426	1,948,882
Total liabilities and equity	-	-	15,728,279	16,216	1,932,198	10,617,958	-	669,547,284	697,841,935
Net liquidity surplus (deficit)	107,455	9,435,220	19,940,755	362,021	767,083	(6,218,839)	1,994,100	(26,387,795)	-

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4. Insurance and financial risk management (continued)

Fair value of financial instruments

	December 31, 2011		December 31, 2010	
	Book value	**Fair value**	Book value	Fair value
Financial assets				
Cash at hand	**145**	**145**	1,895	1,895
Cash at banks	**46,883,610**	**46,883,610**	38,848,644	38,848,644
Other cash and cash equivalents	**229,148**	**229,148**	131,594	131,594
Available-for-sale financial assets	**8,779,404**	**8,779,404**	6,152,599	6,152,599(*)
Receivables	**16,184,654**	**16,184,654**	8,010,071	8,010,071
Due from related parties	**401,066**	**401,066**	914,227	914,227
Other receivables	**25,988**	**25,988**	22,719	22,719
Total financial assets	**72,504,015**	**72,504,015**	54,081,749	54,081,749
Financial liabilities				
Payables	**17,978,663**	**17,978,663**	13,343,596	13,343,596
Due to related parties	**2,383,092**	**2,383,092**	708,421	708,421
Deposits and guarantees received	**167,115**	**167,115**	91,424	91,424
Other	**461,452**	**461,452**	386,551	386,551
Total financial liabilities	**20,990,322**	**20,990,322**	14,529,992	14,529,992

(*) The fair value of Emeklilik Gözetim Merkezi A.Ş. shares can not be calculated (book value: TL 263,223).

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods.

The following methods and assumptions are used in fair value estimations for financial instruments for which such fair values can be reliably measured:

Financial assets:

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

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4. Insurance and financial risk management (continued)

Financial liabilities:

It is anticipated that fair value of monetary liabilities will approximate their carrying value based on their short term nature.

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

Financial assets in the Company's portfolio carried at fair values are as follows:

December 31,2011	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets			
Government bonds	**8,516,181**	-	-
	8,516,181	-	-

December 31, 2010	Level 1	Level 2	Level 3
Available for sale financial assets			
Government bonds	5,889,377	-	-
	5,889,377	-	-

5. Segment reporting

Segment reporting is disclosed in note 2.3.

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6. Tangible assets

	Motor vehicles	Machinery and equipment	Furniture and fixtures	Other tangible assets	Total
Cost					
Opening balance as of January 1, 2011	65,788	2,895,978	639,242	343,830	3,944,838
Additions	-	494,364	675,745	1,728,781	2,898,890
Disposals	-	(39,546)	-	(67,873)	(107,419)
Closing balance as of December 31, 2011	65,788	3,350,796	1,314,987	2,004,738	6,736,309
Accumulated depreciation					
Opening balance as of January 1, 2010	(42,043)	(1,886,057)	(405,185)	(283,943)	(2,617,228)
Charge for the period	(13,101)	(355,838)	(95,535)	(39,349)	(503,823)
Disposals	-	37,406	-	19,810	57,216
Closing balance as of December 31, 2011	(55,144)	(2,204,489)	(500,720)	(303,482)	(3,063,835)
Net book value balance as of December 31, 2011	10,644	1,146,307	814,267	1,701,256	3,672,474

	Motor vehicles	Machinery and equipment	Furniture and fixtures	Other tangible assets	Total
Cost					
Opening balance as of January 1, 2010	65,788	2,249,795	615,309	330,124	3,261,016
Additions	-	831,633	24,607	25,923	882,163
Disposals	-	(185,450)	(674)	(12,217)	(198,341)
Closing balance as of December 31, 2010	65,788	2,895,978	639,242	343,830	3,944,838
Accumulated depreciation					
Opening balance as of January 1, 2010	(25,666)	(1,723,483)	(360,843)	(270,867)	(2,380,859)
Charge for the period	(16,377)	(336,072)	(45,016)	(23,210)	(420,675)
Disposals	-	173,498	674	10,134	184,306
Closing balance as of December 31, 2010	(42,043)	(1,886,057)	(405,185)	(283,943)	(2,617,228)
Net book value balance as of December 31, 2010	23,745	1,009,921	234,057	59,887	1,327,610

There is no impairment loss recognized for tangible assets in the period.

The Company does not have any pledges and mortgages on tangible assets.

7. Investment properties

None.

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8. Intangible assets

Cost	Rights	Total
Opening balance as of January 1, 2011	3,429,428	3,429,428
Additions	453,553	453,553
Disposals	-	-
Transfers	-	-
Closing balance as of December 31, 2011	3,882,981	3,882,981
Accumulated amortization		
Opening balance as of January 1, 2011	(2,261,372)	(2,261,372)
Charge for the period	(372,479)	(372,479)
Disposals	-	-
Closing balance as of December 31, 2011	(2,633,851)	(2,633,851)
Net book value balance as of December 31, 2011	1,249,130	1,249,130

Cost	Rights	Construction in progress*	Total
Opening balance as of January 1, 2010	2,371,134	250,000	2,621,134
Additions	808,491	150,000	958,491
Disposals	(197)	-	(197)
Transfers	250,000	(250,000)	-
Closing balance as of December 31, 2010	3,429,428	150,000	3,579,428
Accumulated amortization			
Opening balance as of January 1, 2010	(1,974,162)	-	(1,974,162)
Charge for the period	(287,407)	-	(287,407)
Disposals	197	-	197
Closing balance as of December 31, 2010	(2,261,372)	-	(2,261,372)
Net book value balance as of December 31, 2010	1,168,056	150,000	1,318,056

(*) Construction in progress consists of the advance amounts given for the software that will be used in life insurance.

The Company has not recognized any impairment loss for intangible assets in the current period.

The Company does not have any goodwill.

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9. Investments in associates

Under Turkish Treasury's Sector Announcement dated 12 August 2008 and no 2008/36 regarding Charging of Insurance and Reinsurance, and Pension Companies' Investments in Subsidiaries, Jointly Controlled Partnerships and Participations to Individual Financial Statements and Consolidated Financial Statements Communiqué dated 31 December 2008; it is ruled that mentioned partnership can be excluded from the scope of consolidation by considering the principle of materiality in case total assets of subsidiary, jointly controlled partnership or participation is less than 1% of the total assets of the parent company and in case the total partnership shares of subsidiaries, participations and jointly controlled partnerships which are under this limit do not exceed 5% of the total assets of parent company. The Company has established a joint venture by the name of EMK Sigorta Aracılık Hizmetleri Anonim Şirketi as 50% partner. Establishment of the joint venture was recorded at Trade Register on 24 November 2011. Size of assets of the joint venture is TL 212,533 and it has not been consolidated in financial statements of the Company considering the principle of materiality.

10. Reinsurance assets

The amounts relating to reinsurance transactions from insurance policies accounted in the balance sheet and the income statement are as follows:

	December 31, 2011	December 31, 2010
Ceded unearned premiums reserve (Note 17.15)	399,235	52,597
Ceded outstanding claim reserve (Note 17.15)	31,791	13,555
Ceded equalization reserve (Note 17.15)	-	41,522
Ceded mathematical reserve (Note 17.15)	65,038	31,881
Payables to reinsurance companies	(155,615)	(35,197)
Total reinsurance assets/(liabilities)	340,449	104,358

	December 31, 2011	December 31, 2010
Premium ceded to reinsurers (Note 24)	1,444,462	(148,605)
Commission income from reinsurers	110,711	42,841
Ceded paid claim	3,380	-
Change in ceded outstanding claims reserve (Note 17)	18,236	13,555
Change in ceded actuarial mathematical reserve (Note 17)	65,038	31,881
Change in ceded equalization reserves (Note 17)	-	41,522
Change in ceded unearned premiums reserve (Note 17)	399,235	52,597
Total reinsurance income/(expense)	2,041,062	33,791

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11. Financial assets

11.1 Subcategories of financial assets

	December 31, 2011 TL	December 31, 2010 TL
Available-for-sale financial assets	**8,779,404**	6,152,599
Total	**8,779,404**	6,152,599

Available-for-sale financial assets	**Cost December 31, 2011**	**Market value December 31, 2011**	**Carrying amount December 31, 2011**
Emeklilik Gözetim Merkezi A.Ş.(*)	**225,000**	**-**	**263,223**
Government Bonds	**8,098,125**	**8,516,181**	**8,516,181**
Total	**8,323,125**	**8,516,181**	**8,779,404**

Available-for-sale financial assets	Cost December 31, 2010	Market value December 31, 2010	Carrying amount December 31, 2010
Emeklilik Gözetim Merkezi A.Ş.(*)	225,000	-	263,222
Government Bonds	5,548,120	5,889,377	5,889,377
Total	5,773,120	5,889,377	6,152,599

(*)There is no fair value of this financial asset and inflation accounting is applied to the cost until December 31, 2004 in the accompanying financial statements.

11.2 Securities other than equity shares issued in the current period

None.

11.3 Debt instruments issued in the current period

None.

11.4 Fair values of securities and long-term financial assets that are carried at cost in the balance sheet and cost values of securities and long-term financial assets that are carried at fair value in the balance sheet

Cost, fair value and carrying amount of financial assets are presented in note 11.1.

11.5 Marketable securities issued by the shareholders, associates and subsidiaries of the Company classified under marketable securities and subsidiaries and their issuers

None.

11.6 Value increases of financial assets in the last three periods

Value increases reflect the difference between the carrying amount and cost of the financial assets. There is no value increase in the financial assets of the Company in the last 3 years.

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11. Financial assets (continued)

11.7 Financial instruments

i) Information helping the financial statement users to evaluate the financial position and performance of the Company is disclosed in note 4.

ii) Information on the carrying amount of the financial assets is disclosed in note 11.1.

iii) Comparison of the fair value and carrying amount of financial assets is disclosed in note 11.1.

iv) The overdue but not impaired balance of the receivables of the Company is TL 1,713,179 (December 31, 2010 - TL 107,455).

The movement of financial assets available for sale for the year ended December 31, 2011 is as follows:

	2011	2010
January 1	**6,152,599**	263,222
Purchases	**2,550,005**	5,548,120
Sales	**-**	-
Disposals by redemption	**-**	-
Amount recorded in the income statement	**362,411**	147,493
Amount recorded under equity	**(285,611)**	193,764
December 31	**8,779,404**	6,152,599

12. Receivables and payables

12.1 Details of the Company's receivables:

	December 31, 2011	December 31, 2010
Receivables from pension operations	**14,635,927**	7.906.367
Receivables from insurance operations	**1,548,727**	99.606
Doubtful receivables from pension operations	**369,307**	363.007
Provisions for doubtful receivables from pension operations (-)	**(369,307)**	(358.909)
	16,184,654	8,010,071
Receivables from pension operations		
-Due from related parties	**401,066**	914,227
Total	**16,585,720**	8,924,298

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12. Receivables and Payables (continued)

Aging of receivables from the life and non-life insurance and pension operations are below:

	December 31, 2011	December 31, 2010
0-30 days	8,539,076	6.122.121
31-90 days	475,589	372.526
90 days – 1 year	4,954,341	2.202.355
1 year – 2 years	903,535	119.841
Overdue receivables (*)	1,713,179	107.455
Total	**16,585,720**	8,924,298

(*) This balance consists of the receivables that are overdue but not impaired.

Guarantees received for receivables are stated below:

	December 31, 2011	December 31, 2010
Letter of guarantee	603,000	405,500
Mortgages	837,000	685,000
Restricted cash	132,259	66,652
Other	1,469,122	556,273
Total	**3,041,381**	1,713,425

Movement of provision for doubtful receivables is stated below:

Movement of provision for doubtful receivables	December 31, 2011	December 31, 2010
Opening balance	358,909	327,212
Charge for the period	10,398	31,697
Closing balance	369,307	358,909

Total doubtful receivables from pension operations amount to TL 369,307 (December 31, 2010 – 363,007 TL). Due to guarantees received from the agencies against the doubtful receivables, TL 358,909 provision has been booked.

Aging of overdue and impaired receivables is stated below:

	December 31, 2011	December 31, 2010
Over 60 days	369,307	363,007
	369,307	363,007

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12. Receivables and Payables (continued)

Aging of overdue but not impaired receivables from life and non-life insurance and pension operations is stated below:

	December 31, 2011	December 31, 2010
Up to 1 month	**1,319,543**	64,602
Up to 2 months(*)	**393,636**	42,853
	1,713,179	107,455

(*)This receivable is from the related party, ING Bank A.Ş.

12.2 Due to/due from shareholders, associates and subsidiaries of the Company:

December 31, 2011 Related parties	**Trade receivable**	**Trade payable**	**Non trade payable**
ING Bank A.Ş.	**401,066**	**666,144**	**-**
ING Portföy Yön. AŞ.	**-**	**396,926**	**-**
ING Bank NV	**-**	**1,115,786**	**-**
Payables to employees	**-**	**-**	**204,236**
Total	**401,066**	**2,178,856**	**204,236**

December 31, 2010 Related parties	Trade receivable	Trade payable	Non trade payable
ING Bank A.Ş.	914,227	215,794	-
ING Portföy Yön. AŞ.	-	334,769	-
ING Continental Europe Holdings B.V.	-	91,364	-
ING Bank NV		52,526	
Payables to employees	-	-	13,968
Total	914,227	694,453	13,968

12.3 Pledges and other guarantees received for receivables :

Total of pledges and other guarantees received is stated in note 12.1.

12.4 Amounts of the Company's foreign currency denominated receivables and non-exchange rate guaranteed receivables are presented below:

The foreign currency denominated receivables and payables of the Company are presented in note 4.

13. Derivative instruments

None.

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14. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash	145	1,895
Cash at banks	46,883,610	38,848,644
Demand deposits	10,883,240	9,435,220
Time deposits	36,000,370	29,413,424
Other cash equivalents	229,148	131,594
Total	**47,112,903**	38,982,133
Interest accruals on cash and cash equivalents (-)	(330,149)	(198,067)
Total for cash flow	**46,782,754**	38,784,066

Cash at banks amounting to TL 10,337,091 represents the restricted credit card balance (December 31, 2010 – 8,723,391 TL).

As of December 31, 2011 and December 31, 2010 cash and cash equivalents in foreign currencies are stated below:

December 31, 2011	Foreign currency	Foreign currency amount	TL amount
Banks			
	US Dollars	231,498	437,277
	Euro	24,701	60,364
Total			**497,641**

December 31, 2011	Foreign currency	Foreign currency amount	TL amount
Banks			
	US Dollars	224,579	347,200
	Euro	23,364	47,875
Total			395,075

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14. Cash and cash equivalents (continued)

As of December 31, 2011 and December 31, 2010, details of time deposits are stated below:

December 31, 2011 Original currency	**Maturity**	**Interest rate**	**Amount**
TL	**October 13, 2011 – February 23, 2012**	**5,5%-11,55%**	**35,502,729**
US Dollars	**December 24, 2011 - January 24, 2012**	**2%**	**437,277**
Euro	**December 24, 2011 - January 27, 2012**	**2%**	**60,364**
			36,000,370

December 31, 2011 Original currency	Maturity	Interest rate	Amount
TL	October 7, 2010 – January 14, 2011	2.5%-9.25%	29,018,349
US Dollars	December 13, 2010 - January 14, 2011	1.5%	347,200
Euro	December 13, 2010 - January 14, 2011	1.5%	47,875
			29,413,424

15. Share capital

The Company's shareholder structure is stated in note 1.1

As of December 31, 2011 the nominal share capital of the Company is TL 49,000,000 and composed of 49,000,000 shares with a par value of TL 1 per share. (As of December 31, 2010 the Nominal share capital of the Company is TL 45,000,000 and composed of 45,000,000 shares with a par value of TL 1 per share). There is no privileged equity share of the Company. There is no equity transaction after balance sheet date.

There has been a capital increase on May 24, 2011 with the BOD decision numbered 193, amounting to TL 4,000,000. It was paid as a cash on August 25, 2011 and the capital has increased to TL 49,000,000.

The capital of the Company has been increased by TL 25,000,000 as cash from TL 49,000,000 to TL 74,000,000 at General Meeting of Shareholders numbered 203 as of December 19, 2011. This desicion is registered at of May 13, 2010 and announced in the Trade Registry Gazette numbered 7567 on May 20, 2010. The capital increase is paid in full at February 20, 2012.

Valuation of financial assets

Unrealized gains and losses generated by the changes in the fair value of financial assets are recorded at the account "Valuation of Financial Assets" under equity.

The movement of valuation of financial assets is as below:

	2011	2010
January 1	**195,871**	-
Net increase/(decrease) in fair value	**(285,611)**	193,764
Deferred tax effect under shareholders' equity	**1,882**	2,107
December 31	**(87,858)**	195,871

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16. Other provisions and capital component of discretionary participation

16.1 Income and expense amounts accrued under shareholders' equity in the current period in accordance with other standards and interpretations

As of the balance sheet date, the Company has TL 283,729 income accrued under shareholders' equity (December 31, 2010 – TL 195,871).

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (December 31, 2010 – None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2010 – None).

16.4 Hedge transactions for the financial risk

None (December 31, 2010 – None).

16.5 Gains and losses from participations recognized directly in equity in the current period

None (December 31, 2010 – None).

16.6 Revaluation increases in property and equipment

None (December 31, 2010 – None).

16.7 Current and deferred income taxes on gains and losses recognized directly in equity

As of December 31, 2011 the Company has TL 1,882 deferred tax income due to the valuation of available for sale financial assets recognized directly under equity (December 31, 2010 – TL 2,107).

17. Insurance reserves and reinsurance assets

17.1 Required guarantees for life and non-life insurances and guarantees provided for life and non-life insurances based on assets

		February 29, 2012
Branch	**Required**	**Provided**
Life	24,824,014	25,381,455
Non-life	271,878	274,337
Total	**25,095,892**	**25,655,792**

The Company has fulfilled the deficit in required and provided guarantees with the time deposit blockage amounting to TL 4,048,935 and with the bonds amounting to TL 978,174 on February 29, 2012.

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17. Insurance reserves and reinsurance assets (continued)

17.2 Number of life insurance policies, entries, exits in the current period, and current life insurees and their mathematical reserves

	December 31, 2011 Number	December 31, 2011 Mathematical reserve
Opening	186,155	10,467,587
Entry	355,079	21,383,256
Exit	90,436	9,235,709
End of period	**450,798**	**22,615,134**

	December 31, 2011 Number	December 31, 2011 Mathematical reserve
Opening	-	-
Entry	193,799	11,600,989
Exit	7,644	1,133,402
End of period	186,155	10,467,587

The movement of policies in the relevant period and active policies as at December 31, 2011 is given in the table above. As of December 31, 2011, unearned reserve for life policies is TL 3,164,227 ,for personel accident is TL 1,560,363 and the mathematical reserve for the policies over one year is TL 22,615,134 (December 31, 2010- Unearned premium reserve for life policies is TL 808,598,for personel accident is TL 671,106 and the mathematical reserve for the policies over one year is TL 10,467,587,respectively).

17.3 Insurance coverages given as branches to non life insurance branches

As of Dcember 31, 2011, total gross and net coverages are TL 3,065,718,481 and TL 2,923,726,164 (December 31, 2010 - The total gross and net coverages are TL 911,404,308 and TL 832,487,401).

17.4 Pension funds established by the Company and their unit prices

The pension funds established by the Company and unit prices are stated below:

Name of funds	December 31, 2011 Unit price (TL)	December 31, 2010 Unit price (TL)
Gelir Amaçlı Kamu Borçlanma Araçları E.Y.F.	0.032553	0.031424
Gelir Amaçlı Esnek E.Y.F.	0.019139	0.017167
Büyüme Amaçlı Karma E.Y.F.	0.045655	0.048219
Büyüme Amaçlı Hisse Senedi E.Y.F.	0.045759	0.057154
Likit E.Y.F.	0.02833	0.026759
Esnek E.Y.F.	0.029574	0.029236
Kamu Borçlanma Araçları E.Y.F.	0.022931	0.021735
Büyüme Amaçlı Esnek E.Y.F	0.01627	0.016126

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17. Insurance reserves and reinsurance assets (continued)

17.5 Total numbers and amounts of participation certificates in portfolio and in circulation

Numbers and amounts of participation certificates in portfolio and in circulation are stated below:

		December 31, 2011
Participation certificates in circulation (EYF)	**Unit**	**Amount**
Gelir Amaçlı Kamu Borçlan. Ar. E.Y.F.	**7,913,147,082**	**257,598,062**
Gelir Amaçlı Esnek E.Y.F.	**1,864,893,713**	**35,692,744**
Büyüme Amaçlı Karma E.Y.F.	**2,487,177,258**	**113,551,476**
Büyüme Amaçlı Hisse Sen.E.Y.F.	**954,676,399**	**43,684,940**
Likit E.Y.F.	**3,401,606,931**	**96,368,041**
Esnek E.Y.F.	**4,321,700,296**	**127,808,134**
Kamu Borçlanma Araçları E.Y.F.	**3,351,747,299**	**76,860,123**
Büyüme Amaçlı Esnek EYF	**1,647,062,044**	**26,797,531**
		778,361,051

		December 31, 2010
Participation certificates in circulation (EYF)	Unit	Amount
Gelir Amaçlı Kamu Borçlan. Ar. E.Y.F.	7,533,674,763	236,739,702
Gelir Amaçlı Esnek E.Y.F.	1,409,240,742	24,191,823
Büyüme Amaçlı Karma E.Y.F.	2,166,102,875	104,447,617
Büyüme Amaçlı Hisse Sen.E.Y.F.	652,469,465	37,291,565
Likit E.Y.F.	2,637,333,251	70,571,954
Esnek E.Y.F.	3,513,416,342	102,717,193
Kamu Borçlanma Araçları E.Y.F.	2,431,497,189	52,849,796
Büyüme Amaçlı Esnek EYF	679,052,714	10,950,391
		639,760,041

17.6 Numbers and portfolio values of additions, disposals and reversals and current pension participants

Numbers and portfolio values of additions, disposals, reversals and current individual and group pension participants are stated below:

December 31, 2011		**Individual**		**Group**
	Unit	**Portfolio amount**	**Unit**	**Portfolio amount**
Addition	**27,197**	**126,731,722**	**8,300**	**5,400,791**
Disposal	**18,853**	**113,572,458**	**5,103**	**21,481,392**
Current	**161,717**	**618,093,088**	**32,134**	**158,588,365**

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17. Insurance reserves and reinsurance assets (continued)

December 31, 2010		Individual		Group
	Unit	Portfolio amount	Unit	Portfolio amount
Addition	27,627	61,272,739	7,166	4,765,948
Disposal	18,051	88,636,315	4,782	18,443,973
Current	153,396	492,573,079	28,914	142,117,195

(*) The total portfolio value of the 1,248 spolicies in the proposal phase is TL 5,057,724 (December 31, 2009 - TL 2,962,876).
(**) Collections not associated with policies amount to TL 10,824 (December 31, 2009- TL 10,406).
(***) The net of transfers during 2010 from group to individual and individual to group policies which were in effect as of December 31, 2009, is 45 policies in favor of the group plans.

Addition: Number of agreements which have become in effect in the current period and their portfolio values and number of agreements which have become in effect in the current period and ended in the current period and their portfolio values.

Disposal: Number of agreements which are disposed in the current period and their portfolio values.

Current: Number of agreements effective as at the balance sheet date and their portfolio values.

Periodical changes have to be considered in total numbers and portfolio values, because there are transfers between individual and group pension plans. Also, for cancelled agreements which were effective in previous period or cancelled agreements which have become effective in the current period have been offset at the end of the period. The number of individual and group agreements and portfolio amounts stated in note 17.8 states the total agreements on hand.

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None.

17.8 Number of additions and gross / net share contributions in the current period

December 31, 2011	**Unit**	**Contribution share (Gross) TL**	**Contribution share (Net) TL**
Individual	**27,197**	**131,237,509**	**130,096,145**
Corporate	**8,300**	**5,649,175**	**5,601,158**
Total	**35,497**	**136,886,684**	**135,697,303**

December 31, 2010	Unit	Contribution share (Gross) TL	Contribution share (Net) TL
Individual	27,627	62,723,646	61,740,696
Corporate	7,166	4,947,361	4,896,143
Total	34,793	67,671,007	66,636,839

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17. Insurance reserves and reinsurance assets (continued)

17.9 Number of additions from the other companies and gross / net share participations in the current period

December 31, 2011

	Unit	Contribution share (Gross) TL	Contribution share (Net) TL
Individual	**4,220**	**70,783,684**	**70,616,050**
Corporate	**204**	**1,602,185**	**1,600,109**
Total	**4,424**	**72,385,869**	**72,216,159**

December 31, 2010

	Unit	Contribution share (Gross) TL	Contribution share (Net) TL
Individual	2,027	30,199,037	30,117,938
Corporate	133	1,482,698	1,481,921
Total	2,160	31,681,735	31,599,859

17.10 Number of transfers from the Company's life portfolio to private pension portfolio and their gross / net contribution shares

None.

17.11 Number of transfers from the Company to other companies and their gross / net contribution shares

December 31, 2011

	Unit	Contribution share (Gross) TL	Contribution share (Net) TL
Individual	**18,853**	**113,572,458**	**104,041,419**
Corporate	**5,103**	**21,481,392**	**19,218,072**
Total	**23,956**	**135,053,850**	**123,259,491**

(*) The participants exiting the Company's pension plans from January 1, 2011 to December 31, 2011.
(**) Fund sales amount due to exits.
(***) The net share after deductions (entrance fee and withholding) of participants exiting the Company's pension plans.

December 31, 2010

	Unit	Contribution share (Gross) TL	Contribution share (Net) TL
Individual	18,051	88,636,315	79,696,370
Corporate	4,782	18,443,973	16,252,724
Total	22,833	107,080,288	95,949,094

(*) The participants exiting the Company's pension plans from January 1, 2010 to December 31, 2010.
(**) Fund sales amount due to exits.
(***) The net share after deductions (entrance fee and withholding) of participants exiting the Company's pension plans.

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17. Insurance reserves and reinsurance assets (continued)

17.12 Number of additions of life insurances and their gross / net premiums

December 31, 2011	Unit	Gross premium TL	Net premium TL
Individual	56,449	3,701,776	3,412,561
Corporate	298,630	37,128,204	36,531,264
Total	355,079	40,829,980	39,943,825

December 31, 2010	Unit	Gross premium TL	Net premium TL
Individual	26,843	779,592	714,309
Corporate	166,956	20,761,096	20,703,238
Total	193,799	21,540,688	21,417,547

17.13 Number of disposals of life insurance policies and their gross / net mathematical reserves

December 31, 2011	Gross premium TL	Net premium TL	Unit	Mathematical reserves TL
Individual	183,416	170,734	28,315	-
Corporate	1,900,933	1,833,093	62,121	9,235,709
Total	2,084,349	2,003,827	90,436	9,235,709

December 31, 2010	Gross premium TL	Net premium TL	Unit	Mathematical reserves TL
Individual	21,227	14,846	277	-
Corporate	1,232,527	1,264,372	7,367	1,133,402
Total	1,253,754	1,279,218	7,644	1,133,402

17.14 Profit share distribution rate in the current period

None (December 31, 2010 – None).

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17. Insurance reserves and reinsurance assets (continued)

17.15 Amounts from insurance contracts in the financial statements

	December 31, 2011	December 31, 2010
Gross technical reserves		
Unearned premium reserve	4,724,591	1,479,705
Outstanding claim reserve	1,491,193	578,620
Equalization reserve	731,263	275,283
Life mathematical reserves	22,615,134	10,467,587
Total	29,562,181	12,801,195
Ceded technical reserves		
Unearned premium reserve	399,235	52,598
Outstanding claim reserve	31,791	13,555
Equalization reserve	-	41,522
Life mathematical reserves	65,038	31,881
Total	496,064	139,556
Net technical reserves		
Unearned premium reserve	4,325,356	1,427,107
Outstanding claim reserve	1,459,402	565,065
Equalization reserve	731,263	233,761
Life mathematical reserves	22,550,096	10,435,706
Total	29,066,117	12,661,639

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17. Insurance reserves and reinsurance assets (continued)

The movement of outstanding claim reserves (except for exit and maturity payments) is given below:

	December 31, 2011			December 31, 2010		
	Gross	Ceded	Net	Gross	Ceded	Net
January 1	578,620	(13,555)	565,065	-	-	-
Claims paid (*)	(2,795,538)	3,380	(2,792,158)	(343,339)	-	(343,339)
Increase/(Decrease)						
- Current year outstanding claims	2,786,152	(8,061)	2,778,091	921,959	(13,555)	908,404
- Prior years outstanding claims	921,959	(13,555)	908,404	-	-	-
December 31	1,491,193	(31,791)	1,459,402	578,620	(13,555)	565,065
Case reserves	781,444	(2,964)	778,480	140,310	-	140,310
IBNR	709,749	(28,827)	680,922	438,310	(13,555)	424,755
Total	1,491,193	(31,791)	1,459,402	578,620	(13,555)	565,065

(*) Claims paid includes claim amount and unit for death coverages during the period.

Equalization reserve movement table:

	December 31, 2011			December 31, 2010		
Equalization reserve	Gross	Ceded	Net	Gross	Ceded	Net
January 1	275,283	(41,522)	233,761	-	-	-
Net change	455,980	41,522	497,502	275,283	(41,522)	233,761
December 31	731,263	-	731,263	275,283	(41,522)	233,761

Unearned premium reserve movement table:

	December 31, 2011			December 31, 2010		
Unearned premium reserve movement table	Gross	Ceded	Net	Gross	Ceded	Net
January 1	1,479,704	(52,597)	1,427,107	-	-	-
Increase (decrease)						
- Current year unearned premium reserve	4,724,591	(399,235)	4,325,356	1,479,704	(52,597)	1,427,107
- Prior years unearned premium reserve	(1,479,704)	52,597	(1,427,107)	-	-	-
Net change	3,244,887	(346,638)	2,898,249	1,479,704	(52,597)	1,427,107
December 31	4,724,591	(399,235)	4,325,356	1,479,704	(52,597)	1,427,107

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17. Insurance reserves and reinsurance assets (continued)

The Company's claim development table is as follows:

Accident year	2010	2011	Total
Ultimate loss estimate			
In the year of the accident	18,268	629,505	647,773
1 year later	-	133,671	133,671
2 years later	-	-	-
3 years later	-	-	-
4 years later	-	-	-
5 years later	-	-	-
6 years later	-	-	-
7 years later	-	-	-
Outstanding claims per development table			781,444
IBNR			709,749
Total outstanding claim reserve as of December 31, 2011			1,491,193

Accident year	2010	Total
Ultimate loss estimate		
In the year of the accident	140,310	140,310
1 year later	-	-
2 years later	-	-
3 years later	-	-
4 years later	-	-
5 years later	-	-
6 years later	-	-
7 years later	-	-
	-	-
Outstanding claims per development table	140,310	140,310
IBNR		424,755
Total outstanding claim reserve as of December 31, 2010		565,065

18. Investment contract liabilities

None (December 31, 2010: None).

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19. Trade and other payables, deferred income

19.1 Sub-classifications of presented items in line with the Company's operations

	December 31, 2011	December 31, 2010
	TL	TL
Payables due to pension operations – short term	**17,978,663**	13,343,596
Payables due to pension operations – long term	**778,361,051**	639,760,041
Other payables – short term	**461,452**	386,551
Deferred income	**30,309**	12,422
Deposits and guarantees taken	**167,115**	91,424
	796,998,590	653,594,034

19.2 Related parties

Transactions and balances with related parties are presented in note 12.2.

20. Borrowings

None (December 31, 2010 – None).

21. Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are disclosed below.

The rate used in the calculation of deferred tax assets and liabilities is 20%

Deferred tax assets/(liabilities) :	**December 31, 2011**	December 31, 2010
Depreciation / amortization life differences of tangible and intangible assets	**(264,467)**	(135,911)
Provision for employment termination benefits	**47,596**	36,450
Unused vacation pay liability	**124,428**	101,777
Doubtful receivable provision	**73,861**	71,782
Equalization reserve	**146,253**	46,752
Expense accruals	**857,713**	258,836
Other	**4,221**	4,315
	989,605	384,001

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21. Deferred tax (continued)

The Company has TL 9,327,132 carry forward tax losses which can be offset from taxable income in the following years. The Company has not accounted for deferred tax asset for these losses in the financial statements as of December 31, 2011.

Expiration	**December 31, 2011**	December 31, 2010
2011	**4,035,149**	4,035,149
2016	**5,291,983**	-
	9,327,132	4,035,149

The movement of deferred tax asset as of December 31, 2011 and December 31, 2010 is stated below:

Movement of deferred tax asset / (liability):	**December 31, 2011**	December 31, 2010
Opening balance	**384,001**	1,339,555
Charged to income statement	**605,829**	(957,661)
Charged to equity	**(225)**	2,107
Closing balance	**989,605**	384,001

22. Provision for employment termination benefits (Retirement pay liability)

In accordance with existing social legislation the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to the retirement or for reasons other than resignation or misconduct, such as military obligation or death.

Retirement pay provision is not subject to any funding by law. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet date have been calculated assuming an annual inflation rate of 5.1% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66%.

Such payments are calculated on the basis of 30 days' pay and limited to a maximum historical TL 2,732 as of December 31, 2011 (December 31, 2010: TL 2,517).

	January 1-December 31, 2011	January 1-December 31, 2010
Provision at January 1	**182,252**	115,409
Service cost (actuarial (gains) / losses included)	**89,235**	96,623
Interest cost	**10,789**	13,664
Retirement pay paid	**(44,294)**	(43,444)
Provision	**237,982**	182,252

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23. Other liabilities and expense accruals

	December 31, 2011	December 31, 2010
Unused vacation pay accrual	**622,138**	508,884
Provision for lawsuits	**1,053,639**	884,639
Bonus accrual	**1,047,619**	-
Other provisions (*)	**2,187,775**	409,539
Total	**4,911,171**	1,803,062

(*) As of December 31, 2011 other provisons are composed of profit commission allowance amounting TL 700,000, sales campaign allowance amounting TL 547,073 and punishment allowance related with the reinsurance agreement amounting TL 500,000.

Unused vacation pay liability movement is disclosed below:

	January 1-December 31, 2011	January 1-December 31, 2010
As of January 1	**508,884**	221,641
Charge for the current period, net	**113,254**	287,243
Liability as of December 31	**622,138**	508,884

Total of commitments and contingent liabilities:

	December 31, 2011	December 31, 2010
Guarantees given		
Letters of guarantees	**413,890**	158,240
Insurance coverages (net)		
Life	**5,009,854,260**	1,855,817,088
Personal accident	**2,923,726,164**	832,487,401
	7,933,994,314	2,688,462,729

24. Net written premium

December 31, 2011			
	Gross	**Ceded**	**Net**
Life	**37,477,219**	**764,175**	**36,713,044**
Personal accident	**2,525,218**	**680,287**	**1,844,931**
	40,002,437	**1,444,462**	**38,557,975**

December 31, 2010			
	Gross	Ceded	Net
Life	19,528,571	89,703	19,438,868
Personal accident	758,363	58,902	699,461
	20,286,934	148,605	20,138,329

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25. Subscription fee

Service income/(expense)	January 1- December 31, 2011	January 1- December 31, 2010
Entrance fee when participating	2,032,720	2,474,414
Entrance fee when leaving	1,486,200	2,055,652
Total	3,518,920	4,530,066

26. Investment income

	January 1- December 31, 2011	January 1- December 31, 2010
Interest on time deposits	2,814,404	2,373,959
Income from liquidation of financial investments	321,941	-
Valuation of financial investments	360,304	147,493
Total	3,496,649	2,521,452

27. Net income accrual on financial assets

The Company has TL 330,149 interest accrual on deposits (December 31, 2010 - TL 198,067) and TL 360,304 interest accrual on available for sale financial assets (December 31, 2010 – TL 147,493) as of December 31, 2011.

28. Assets held at fair value through profit and loss

None.

29. Insurance rights and claims

Insurance rights and claims are presented in note 17 (December 31, 2010 – None).

30. Investment agreement rights

None.

31. Essential other expenses

	January 1- December 31,2011	January 1- December 31 2010
Underwriting expenses classified under technical expenses		
Life	20,649,879	8,327,712
Pensions	32,418,224	24,158,671
Personal accident	1,198,742	79,811
Total	54,266,845	32,566,194

Details of underwriting expenses are presented in note 32.

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32. Underwriting expenses

	January 1- December 31,2011	January 1- December 31 2010
Personnel wages and other benefits	11,504,029	9,766,699
General administrative expenses	5,512,603	3,277,727
Commission expenses, net	24,821,355	11,133,885
Marketing, sales and distribution expenses	6,721,098	5,340,210
Social benefit expenses	1,786,877	1,110,802
Rent expenses	1,252,274	480,451
Outsourcing services	2,114,285	880,309
Communication expenses	554,324	576,111
Total	54,266,845	32,566,194

33. Personnel wages and other benefits

	January 1- December 31,2011	January 1- December 31 2010
Wages paid to personnel	7,830,808	6,539,963
Wages and other related benefits paid to executive management	2,452,097	2,226,720
Retirement payments	44,294	43,444
Legal obligations	1,176,830	956,572
Total	11,504,029	9,766,699

34. Financial expense

There is no financing expense.

35. Income tax

	December 31, 2011	December 31, 2010
Current tax liability:		
Corporate tax payable	-	-
Less: Prepaid taxes and funds (*)	-	-

Tax expense / (income) is composed of the items below:	January 1- December 31,2011	January 1- December 31 2010
Current tax charge	-	-
Deferred tax expense /(income)	605,829	957,661
Total tax expense/ (income)	605,829	957,661

(*) As of December 31, 2011, the Company has TL 206,739 prepaid withholding tax (December 31, 2010 – TL 54,824).

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Corporate tax

The Company is subject to corporate tax legislation applicable in Turkey. Estimated provision is made in the accompanying financial statements.

Corporate tax is applied on taxable corporate income which is calculated from the statutory accounting profit by adding back disallowable expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate used in 2011 is 20% (2010 – 20%).

In Turkey, advance tax returns (temporary income tax) are filed on a quarterly basis. The temporary income tax rate used in 2010 is 20%. Losses are allowed to be carried forward 5 years at maximum for deducting from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns between April 1-25th of the following year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. The Company does not expect any additional obligation regarding unaudited periods.

Withholding taxes

In addition to corporate taxes, companies should also calculate withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of withholding tax was 10% between April 24, 2003 and July 22, 2006. However, this rate has been changed to 15% on July 22, 2006 upon the minute no: 2006/10731 of the Board of Ministers. Undistributed dividends incorporated in share capital are not subject to withholding taxes.

Inflation adjusted legal tax calculation

For 2003 and prior years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. The Company has adjusted its statutory financial statements as of December 31, 2004 in accordance with Law No. 5024 published in the Official Gazette No. 25332 on December 30, 2003 which requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds.

Principles of inflation accounting in tax legislation do not differ substantially from the principles in TAS 29. Since the inflation has met certain thresholds for the year 2004, the Company has made inflation adjustments in accordance with Law No. 5024 and inflation adjusted balances as at December 31, 2004 were taken as opening balances as of January 1, 2005. However, as inflation did not meet the required criteria announced in the law starting from January1, 2005, no further inflation adjustment made to the Company's statutory financial statements.

Reconciliation of tax for the period is below:

	December 31, 2011	December 31, 2010
Tax reconciliation:		
Profit/(loss) before tax	**(8,217,742)**	(1,065,671)
Calculated tax: 20%	**1,643,548**	213,134
Impact of disallowable expense	**(24,410)**	(15,040)
Impact of other permanent differences and net impact of unrecognized deferred tax assets	**(1,013,309)**	(1,155,755)
Deferred tax expense	**605,829**	(957,661)

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36. Net foreign exchange gain and losses

	December 31, 2011	December 31, 2010
Foreign exchange gain	**97,435**	23,580
Arising from current transactions	**8,715**	1,369
Arising from deposit transactions	**88,720**	22,211
Foreign exchange loss	**(61,712)**	(55,312)
Arising from current transactions	**(866)**	(54,485)
Arising from deposit transactions	**(60,846)**	(827)
	35,723	(31,732)

37. Earnings per share

The Companies whose equity shares are not traded on the stock exchange are not obliged to present earnings per share according to TAS 33 "Earnings Per Share". Because the Company's shares are not publicly traded, earnings per share is not disclosed in the accompanying financial statements.

38. Dividends per share

None (December 31, 2010 – None).

39. Cash generated from the operations

Statement of cash flow is presented with the financial statements. The Company's net cash flows from operating activities and investing activities, amount to TL 6,521,874 and (TL 2,523,186), respectively. The net cash flow from financing activities is TL 4,000,000. (As December 31, 2010, the Company's net cash flows from operating activities, investing activities, and financing activities amount to TL TL 9,013,315 and (TL 5,657,464), respectively).

40. Bonds convertible to equity shares

None.

41. Preferred equity shares convertible to cash

None.

42. Risks

Information on the contingent liabilities and assets are disclosed in notes 2.20 and 23; insurance and financial risks are disclosed in note 4.

43. Commitments

Information on commitments is presented in note 23.

44. Business combinations

None.

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45. Related parties

Due from and due to related parties are disclosed in note 12.2.

The details of due to/due from balances and transactions related parties are disclosed below:

	December 31, 2011	December 31, 2010
Service purchases from related parties		
ING Portföy Yönetimi A.Ş.	4,310,928	3,619,151
ING Continental Europe Holdings B.V.	1,602,474	2,177,206
ING Bank N.V.	160,193	419,068
Rent expenses to related parties		
ING Bank A.Ş.	17,002	17,703
Commission expenses to related parties		
ING Bank A.Ş.	15,556,415	7,009,246
Interest income from related parties		
ING Bank A.Ş.	192,795	232,040

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45. Related parties (continued)

Amount of benefits provided to executive management of the Company in the current period is as follows:

	January 1 - December 31, 2011	January 1 - December 31, 2010
Short-term benefits	2,452,097	2,226,720
	2,452,097	2,226,720

The Company has not accounted any provision for doubtful receivables from shareholders, associates or other related parties.

46. Subsequent events

The financial statements of the Company have been approved on March 2, 2012 with the Board of Directors Decision numbered 209.

47. Other

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

Other receivables	December 31, 2011	December 31, 2010
Deposits and guarantees given	25,988	22,719
	25,988	22,719

Other payables	December 31, 2011	December 31, 2010
Payables to suppliers	461,452	216,971
Others	-	169,580
	461,452	386,551

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47. Other (continued)

47.2 Total amount of due to/from personnel items classified under "Other Receivables" and "Other Short and Long Term Payables" exceeding one percent of total assets in the balance sheet

None (December 31, 2010 – None).

47.3 Subrogation receivables followed under the off-balance sheet accounts

None (December 31, 2010 – None).

47.4 Disclosures in relation to amounts and resources of income, expenses, and losses related to the prior periods

None (December 31, 2010 – None).

47.5 Other notes to be disclosed

Prepaid expenses

	January 1,- December 31, 2011	January 1, - December 31, 2010
Deferred acquisition costs	**1,753,767**	502,637
Other prepaid expenses	**437,914**	258,955
Total	**2,191,681**	761,592

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47. Other (continued)

Rediscount and provision expenses for the period

	January 1,- December 31, 2011	January 1, - December 31, 2010
Retirement pay liability	**55,730**	66,843
Provision for doubtful receivables	**10,398**	31,697
Provision for legal cases	**169,000**	545,297
Unused vacation pay liability	**113,254**	287,243
Bonus accrual	**1,047,619**	-
Unearned premium reserve	**2,898,249**	1,427,108
Outstanding claim reserve	**894,337**	565,065
Life mathematical reserves	**12,114,390**	10,435,706
Equalization reserves	**497,502**	233,761
Others	**841,737**	-
Total	**18,642,216**	13,592,720

47.6 Profit distribution table

Since the Company has generated loss as of December 31, 2011 and 2010, profit distribution is not performed.

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