

**AKSIGORTA ANONİM ŐIRKETİ**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2007

*(Translated into English from the  
Original Turkish Report)*

To the Board of Directors of  
Aksigorta Anonim Şirketi  
İstanbul

**AKSIGORTA ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD 1 JANURARY – 31 DECEMBER 2007**

1. We have audited the accompanying financial statements of Aksigorta Anonim Şirketi (the“Company”), which comprise the financial statements as at 31 December 2007. The Company management is responsible for the financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.
2. According to the article 50 (a) of the Capital Market Law (VII.), insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting. Therefore, the Company’s financial statements are prepared according to the prevailing accounting principles and standards set out as per the Insurance Law No: 5684 and as explained in Note 11.
3. The audit has been performed in accordance with the arrangements related to account and booking adjustments with accounting standards and standards on audit, set out per the Insurance Law No:5684. These arrangements necessitate that the audit should be planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing testing and attesting the amounts and disclosures in the financial statements and also assessing the appropriateness of accounting policies applied, the significant accounting estimates of management with the presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Aksigorta Anonim Şirketi as at 31 December 2007 and the results of its operations for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Insurance Law No: 5684 and related regulations.

*Additional paragraph for English translation:*

The effect of the differences between the accounting principles summarized in Note 11 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU**

Sibel Türker

Partner  
İstanbul, 14 March 2008

**AKSİGORTA ANONİM ŞİRKETİ**  
**DETAILED BALANCE SHEET**

TRY

**ASSETS**

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>		<b>300,320,894</b>	<b>152,869,536</b>
1- Cash		381	730
2- Cheques Received		-	-
3- Banks	35	305,914,058	156,240,505
4- Cheques Given and Payment Orders (-)		(5,593,545)	(3,371,699)
5- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>	<b>25</b>	<b>117,761,139</b>	<b>67,823,395</b>
1- Securities Available for Sale		81,254,755	30,023,498
2- Securities Held to Maturity		-	-
3- Securities Held for Trading		26,616,530	23,485,717
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		9,889,854	14,314,180
7- Equity Shares		-	-
8- Diminution in Value of Financial Securities (-)		-	-
<b>C- Receivables From Main Operations</b>		<b>301,620,581</b>	<b>249,502,803</b>
1- Receivables From Insurance Operations	11.e, 17	297,498,946	252,645,584
2- Provision for Receivables From Insurance Operations (-)	11.e, 30	-	(6,864,460)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies		45,692	27,139
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations		20,444,755	17,615,360
10- Provisions for Doubtful Receivables From Main Operations (-)	30	(16,368,812)	(13,920,820)
<b>D- Due from Related Parties</b>		<b>12,014</b>	<b>11,877</b>
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		12,014	11,877
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>E- Other Receivables</b>		<b>2,994,631</b>	<b>1,943,312</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		7,650	6,315
4- Other Receivables	27	2,986,981	1,936,997
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)	30	-	-
<b>F- Prepaid Expenses and Income Accruals</b>		<b>2,235,005</b>	<b>1,494,930</b>
1- Prepaid Expenses		149,297	108,234
2- Accrued Interest and Rent Income		2,085,708	1,386,696
3- Income Accruals		-	-
4- Other Prepaid Expenses and Income Accruals		-	-
<b>G- Other Current Assets</b>		<b>3,239,858</b>	<b>2,773,367</b>
1- Inventories		101,618	94,990
2- Prepaid Taxes and Funds		3,109,671	2,203,099
3- Deferred Tax Assets		-	-
4- Business Advances		28,569	475,278
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>728,184,122</b>	<b>476,419,220</b>

**AKSİGORTA ANONİM ŞİRKETİ**  
**DETAILED BALANCE SHEET**

TRY

ASSETS			
	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>II- Non Current Assets</b>			
<b>A- Receivables From Main Operations</b>			
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>			
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>C- Other Receivables</b>			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>D- Financial Assets</b>	25	<b>2,268,098,449</b>	<b>1,572,154,837</b>
1- Investments In Associates		1,712,284,553	1,395,321,898
2- Affiliates		22,161,910	191,494,416
3- Capital Commitments to Affiliates (-)		(204,545)	(239,584)
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		548,222,171	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		(14,365,640)	(14,421,893)
<b>E- Tangible Fixed Assets</b>		<b>49,736,440</b>	<b>47,972,717</b>
1- Investment Properties	8.a.c, 11.g	10,533,335	10,078,063
2- Diminution in Value for Investment Properties (-)	c	-	-
3- Owner Occupied Property	8.a.c, 11.g	40,491,007	38,564,640
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	8.a.c, 11.g	23,238,564	21,372,528
6- Vehicles	8.a.c, 11.g	102,258	116,670
7- Other Tangible Assets (Including Leasehold Improvements)	8.a.c, 11.g	1,832,473	1,830,952
8- Leased Tangible Fixed Assets		351,395	351,395
9- Accumulated Depreciation (-)	11.g	(26,812,592)	(24,341,531)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)	8.e, 11.g	-	-
<b>F- Intangible Fixed Assets</b>		<b>5,212,582</b>	<b>2,994,833</b>
1- Rights	8.b, 11.g	5,853,588	3,204,803
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	11.g	(641,006)	(209,970)
8- Advances Regarding Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>		<b>100,569</b>	
1- Prepaid Expenses		100,569	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
<b>H- Other Non-current Assets</b>			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
<b>II- Total Non-current Assets</b>		<b>2,323,148,040</b>	<b>1,623,122,387</b>
<b>TOTAL ASSETS</b>		<b>3,051,332,162</b>	<b>2,099,541,607</b>

AKSİGORTA ANONİM ŞİRKETİ  
DETAILED BALANCE SHEET

TRY

LIABILITIES

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>III- Short Term Liabilities</b>			
<b>A- Borrowings</b>			
1- Loans to Financial Institutions		-	-
2- Leasing Payables		757	758
3- Deferred Leasing Costs (-)		(757)	(758)
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Issued Bonds		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences of Financial Assets Issued(-)		-	-
8- Other Financial Liabilities		-	-
<b>B- Payables From Main Operations</b>		<b>77,281,551</b>	<b>52,678,031</b>
1- Payables Due To Insurance Operations		77,939,276	52,680,428
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		7,349	5,997
4- Payables Due To Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		(665,074)	(8,394)
<b>C- Due to Related Parties</b>		<b>256,492</b>	<b>168,602</b>
1- Due to Shareholders		174,101	161,144
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		82,391	7,458
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		<b>12,823,779</b>	<b>15,043,644</b>
1- Deposits and Guarantees Received		-	-
2- Other Payables	27	12,823,779	15,043,644
3- Rediscount on Other Payables (-)		-	-
<b>E- Insurance Technical Provisions</b>		<b>297,270,364</b>	<b>190,776,313</b>
1- Provisions for Unearned Premiums - Net	11.b	193,755,369	127,924,680
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	11.b	103,514,995	62,851,633
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>8,826,859</b>	<b>2,955,353</b>
1- Taxes and Dues Payable		3,073,172	2,677,191
2- Social Security Premiums Payable		982,313	827,000
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		6,850	6,491
5- Corporate Tax Payable		12,038,058	5,066,767
6- Prepaid Taxes and Other Liabilities Regarding Period Profit (-)		(7,273,534)	(5,622,096)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>			
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>1,375,666</b>	
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		1,375,666	-
<b>I- Other Short Term Liabilities</b>			
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities	27	-	-
<b>III - Total Short Term Liabilities</b>		<b>397,834,711</b>	<b>261,621,943</b>

AKSİGORTA ANONİM ŞİRKETİ  
DETAILED BALANCE SHEET

TRY

LIABILITIES

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>IV- Long Term Liabilities</b>			
<b>A- Borrowings</b>			
1- Loans to Financial Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Value Differences of Financial Assets Issued(-)		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables From Main Operations</b>			
1- Payables Due To Insurance Operations		-	-
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
<b>C- Due to Related Parties</b>			
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>			
1- Deposits and Guarantees Received		-	-
2- Other Payables		-	-
3- Rediscount on Other Payables (-)		-	-
<b>E- Insurance Technical Provisions</b>		8,786,903	60,638,666
1- Provisions for Unearned Premiums - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Provisions - Net	11.b	4,669,830	5,665,781
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net	11.b	4,117,073	6,085,466
7- Other Technical Provisions - Net	11.b, 27	-	48,887,419
<b>F- Tax and Other Liabilities to be Paid and Relevant Provisions</b>			
1- Taxes and Dues Payable		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		6,176,614	5,196,220
1- Provision for Employment Termination Benefits	11.i	6,176,614	5,196,220
2- Provisions for Employee Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>			
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long Term Liabilities</b>		235	235
1- Deferred Tax Liability		-	-
3- Other Long Term Liabilities		235	235
<b>IV- Total Long Term Liabilities</b>		14,963,752	65,835,121

**AKSİGORTA ANONİM ŞİRKETİ**  
**DETAILED BALANCE SHEET**

TRY

**SHAREHOLDERS' EQUITY**

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>V- Shareholders' Equity</b>			
<b>A- Paid in Capital</b>		<b>434,338,907</b>	<b>434,338,907</b>
1- (Nominal) Capital	2	306,000,000	306,000,000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		128,338,907	128,338,907
4- Negative Inflation Adjustment on Capital (-)		-	-
<b>B- Capital Reserves</b>		<b>83,408,490</b>	<b>-</b>
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	25	83,408,490	-
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>2,001,196,994</b>	<b>1,258,468,223</b>
1- Legal Reserves		83,649,103	74,929,882
2- Statutory Reserves		62	62
3- Extraordinary Reserves		233,853,498	233,788,272
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	34	1,630,795,831	949,750,007
6- Other Profit Reserves	11.b, 27	52,898,500	0
<b>D- Previous Years' Profits</b>		<b>5,092,962</b>	<b>5,092,962</b>
1- Previous Years' Profits		5,092,962	5,092,962
<b>E- Previous Years' Losses (-)</b>		<b>-</b>	<b>-</b>
1- Previous Years' Losses		-	-
<b>F- Net Profit of the Period</b>		<b>114,496,346</b>	<b>74,184,451</b>
1- Net Profit of the Period		114,496,346	74,184,451
2- Net Loss of the Period		-	-
<b>Total Shareholders' Equity</b>		<b>2,638,533,699</b>	<b>1,772,084,543</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,051,332,162</b>	<b>2,099,541,607</b>

**AKSİGORTA ANONİM ŞİRKETİ**  
**DETAILED INCOME STATEMENT**

TRY

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>I-TECHNICAL DIVISION</b>			
<b>A- Non-Life Technical Income</b>		<b>472,384,398</b>	<b>392,034,915</b>
1- Earned Premiums (Net of Reinsurer Share)		395,054,949	311,664,110
1-1. Premiums (Net of Reinsurer Share)		460,886,021	348,690,762
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	2,10	(65,831,072)	(37,026,652)
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
2- Investment Income Transferred from Non-Technical Divisions		19,650,249	14,975,034
3- Other Technical Income (Net of Reinsurer Share)	27	57,679,200	65,395,771
<b>B- Non-Life Technical Expense (-)</b>		<b>(459,100,133)</b>	<b>(368,461,833)</b>
1- Realized Claims (Net of Reinsurer Share)		(289,379,399)	(226,444,778)
1.1- Claims Paid (Net of Reinsurer Share)		(247,621,381)	(206,106,884)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2,10	(41,758,018)	(20,337,894)
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2	-	(3,647,326)
4- Operating Expenses (-)		(169,720,734)	(138,369,729)
<b>C- Non Life Technical Profit (A-B)</b>		<b>13,284,265</b>	<b>23,573,082</b>
<b>D- Life Technical Income</b>		<b>3,107,854</b>	<b>3,717,837</b>
1- Earned Premiums (Net of Reinsurer Share)		635,406	1,145,457
1.1- Premiums (Net of Reinsurer Share)		635,022	1,144,667
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		384	790
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
2- Life Branch Investment Income		2,312,149	2,318,305
3- Accrued (Unrealized) Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share)		160,299	254,075
<b>E- Life Technical Expense</b>		<b>(3,467,096)</b>	<b>(6,336,320)</b>
1- Realized Claims (Net of Reinsurer Share)		(6,053,952)	(14,087,087)
1.1- Claims Paid (Net of Reinsurer Share)		(7,148,608)	(12,275,722)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2,10	1,094,656	(1,811,365)
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2,10	995,951	2,450,229
4- Changes in Reserves for Life Insurance Policies Including Investment Risk (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2,10	2,008,456	5,743,804
5- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
6- Operating Expenses (-)		(301,944)	(327,350)
7- Investment Expenses (-)		-	-
8- Accrued (Unrealized) Losses from Investments (-)		-	-
9- Investment Income Transferred to Non Technical Divisions (-)		(115,607)	(115,916)
<b>F- Life Technical Profit (D-E)</b>		<b>(359,242)</b>	<b>(2,618,483)</b>
<b>G- Individual Retirement Technical Income</b>		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
<b>H- Individual Retirement Technical Expense</b>		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
<b>I- Individual Retirement Technical Profit (G-H)</b>		-	-

**AKSİGORTA ANONİM ŞİRKETİ**  
**DETAILED INCOME STATEMENT**

TRY

	Note	Audited	
		Current Period 31/12/2007	Previous Period 31/12/2006
<b>II- NON TECHNICAL DIVISION</b>			
<b>C- Non Life Technical Profit</b>		<b>13,284,265</b>	<b>23,573,082</b>
<b>F- Life Technical Profit</b>		<b>(359,242)</b>	<b>(2,618,483)</b>
<b>I- Individual Retirement Technical Profit</b>		-	-
<b>J- Total Technical Profit (C+F+I)</b>		<b>12,925,023</b>	<b>20,954,599</b>
<b>K- Investment Income</b>		<b>120,606,334</b>	<b>98,865,222</b>
1- Income From Financial Investment		31,705,258	25,036,856
2- Income from Sales of Financial Assets		-	747,401
3- Revaluation of Financial Assets		5,888,477	5,902,326
4- Foreign Exchange Gains		8,048,823	7,488,278
5- Dividend Income from Participations	6	74,534,708	59,256,593
6- Income from Subsidiaries and Joint Ventures		-	-
7- Real Estate Income		313,461	317,852
8- Income from Derivative Products		-	-
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Division		115,607	115,916
<b>L- Investment Expenses (-)</b>		<b>(33,675,192)</b>	<b>(24,053,066)</b>
1- Investment Management Expenses (including interest) (-)		-	-
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)		-	-
4- Investment Income Transferred to Life Technical Division (-)		(19,650,249)	(14,975,034)
5- Losses from Derivative Products (-)		-	-
6- Foreign Exchange Losses (-)		(10,919,831)	(6,190,985)
7- Depreciation Expenses (-)	1	(3,105,112)	(2,887,047)
8- Other Investment Expenses (-)		-	-
<b>M- Other Income and Expenses (+/-)</b>		<b>26,678,239</b>	<b>(16,515,537)</b>
1- Reserves (Provisions) account (+/-)	2	(2,337,761)	(13,032,898)
2- Rediscount account (+/-)	2	545,423	-2,711,104
3- Mandatory Earthquake Insurance Account (+/-)		114,586	4,630
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)		-	-
6- Deferred Tax Expense Accounts (+/-)		-	-
7- Other Income and Revenues		29,693,393	1,374,479
8- Other Expense and Losses (-)	27	(1,337,402)	(2,150,644)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
<b>N- Net Profit / (Loss)</b>		<b>114,496,346</b>	<b>74,184,451</b>
1- Profit/(Loss) Before Tax		126,534,404	79,251,218
2- Taxes Provisions (-)	2	(12,038,058)	(5,066,767)
3- Net Profit (Loss) after Tax		114,496,346	74,184,451
4- Inflation Adjustment Account (+/-)		-	-

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 1. OPERATIONS OF THE COMPANY

Aksigorta Anonim Şirketi (the “Company”), registered on 25 April 1960 in İstanbul, Turkey, is a subsidiary of Hacı Ömer Sabancı Holding. The Company’s core business is mainly on insurance covering fire, transportation, accident, machine assembly, hail, life, animal life, and also health starting from the second half of 2002. The Company has one headquarter, 10 regional offices, 4 of which located in İstanbul, 1 in Adana, Ankara, Bursa, Ege, Karadeniz, Akdeniz and 3 regional representative offices in Denizli, Karadeniz and Diyarbakır.

### 2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE

	31 December 2007		31 December 2006	
	Share Amount (TRY)	Share rate %	Share Amount (TRY)	Share rate %
H.Ömer Sabancı Holding A.Ş.	189.658.800	61,98	189.658.800	61,98
Others	116.341.200	38,02	116.341.200	38,02
	<u>306.000.000</u>	<u>100,00</u>	<u>306.000.000</u>	<u>100,00</u>

### 3. PREFERENCE SHARES

None. Shared capital of the Company is composed of 30.600.000.000 shares TRY 0,01 each. These shares are represented by 10<sup>th</sup> set of equity shares (31 December 2006: 30.600.000.000 shares TRY 0,01 each).

### 4. REGISTERED CAPITAL LIMIT

Registered capital amount as of 31 December 2007 is TRY 500.000.000 (31 December 2006: TRY 500.000.000).

### 5. CAPITAL INCREASES DURING THE YEAR

There is no capital increase in the year.

### 6. MARKETABLE SECURITIES OTHER THAN ISSUED SHARES DURING THE YEAR

There are no marketable securities other than shares issued during the current year.

### 7. ISSUED MARKETABLE SECURITIES REPRESENTING MATURED DEBT

There is no debt securities matured during the year.

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 8. MOVEMENTS OF TANGIBLE FIXED ASSETS DURING THE CURRENT PERIOD

- a) Cost of purchased or acquired fixed assets : TRY 4.696.114  
(31 December 2006 – TRY 2.715.595 ).
- b) Cost of purchased or acquired intangible assets: TRY 2.648.785  
(31 December 2006 – TRY 1.806.752 ).
- c) Cost of fixed assets sold and disposed : TRY 461.330  
(31 December 2006 – TRY 1.302.694).
- d) Revaluation of tangible fixed assets during the year: None.
- e) The quality, total amount, beginning and ending dates and completeness degree of construction in progress: None.

### 9. CURRENT AND FUTURE INVESTMENT ALLOWANCES DEDUCTIBLE FROM THE TAX BASE

There is no investment allowance used or to be used for the current or future periods.

### 10. BALANCES WITH SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

Details of balances with shareholders, affiliates and subsidiaries resulting from the main operations of the Company are shown below.

	31 December 2007				31 December 2006			
	Receivables		Payables		Receivables		Payables	
	Trade	None	Trade	None	Trade	None	Trade	None
	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
<b>1) Shareholders</b>								
Hacı Ömer Sabancı Holding A.Ş.	130.708	-	-	-	99.814	-	-	-
<b>2) Affiliates</b>								
Ak Emeklilik A.Ş.	53.719	-	-	-	42.460	-	-	-
Akçansa	626.270	-	-	-	51.508	-	-	-
Çimsa	43.266	-	-	-	169.936	-	-	-
Dönkasan	33.299	-	-	-	2.924	-	-	-
Akbank T.A.Ş.	101.591	-	-	-	376.160	-	-	-
Ak Finansal Kiralama A.Ş.	3.516.196	-	-	-	-	-	-	-
Temsa Makine San. ve Tic. A.Ş.	253.986	-	-	-	191.037	-	-	-
Yünsa Yünlü San. Ve Tic. A.Ş.	47.200	-	-	-	61.429	-	-	-
Tursa Sabancı Turizm İşl. A.Ş.	2.295	-	-	-	6.056	-	-	-
Ak Yatırım Menkul A.Ş.	14.602	-	-	-	262	-	-	-
	<b>4.823.132</b>	-	-	-	<b>1.001.586</b>	-	-	-

As of the balance sheet date total deposits of the Company at Akbank T.A.Ş. branches is TRY 305.858.299 and TRY 257.942.527 of this balance is composed of time deposits. The accrued interest amount of time deposits is TRY 2.094.213. (31 December 2006: Total deposit in Akbank T.A.Ş. branches is TRY 156.220.232 and TRY 122.765.037 of this balance is composed of time deposits. The accrued interest amount of the time deposit is TRY 1.653.769 and the reverse repo transactions amounting to TRY 3.135.660 stated as trading securities take place in Akbank branches. The accrued interest amount of reverse repo as of the balance sheet date is TRY 3.943 as of 31 December 2006).

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS

### Accounting Principles

Article 50 (a), Section VII of the Capital Market Law states that insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting. Therefore, financial statements of the Company are prepared in accordance with the principles set out by the Undersecretariat of the Treasury for Insurance and Reinsurance companies.

It is declared by the articles No: 4787, dated 28 January 2004 and No: 19387, dated 4 April 2005 of the Undersecretariat of the Treasury that insurance companies are subject to inflation accounting in accordance with requirements of the Capital Markets Board's ("CMB") Serial: XI No: 25 Communiqué on the "Accounting Standards in the Capital Market" published in the Official Gazette numbered 25290 on 15 November 2003 beginning from 1 January 2005.

Communiqué on Chart and Regulations of Insurance Accounts (Accounting System of Insurance-Communiqué No:1) published in the Official Gazette No: 25686 dated 30 December 2004 by the Treasury is in effect as of 1 January 2005. As of 1 January 2005, financial statements of the Company are prepared in accordance with the chart of insurance accounts set out in the related communiqué.

With respect to the declaration of the Undersecretariat of the Treasury by the article dated 4 April 2005 and numbered 19387; financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the inflation accounting requirements of the Capital Markets Board's ("CMB") Serial: XI, No: 25 Communiqué "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 November 2003 and numbered 25290. With respect to the same declaration of the Undersecretariat of the Treasury, the inflation accounting application has been ceased in 2005.

#### a. Financial Instruments

According to the declaration of the Undersecretariat of the Treasury dated 3 March 2005 and numbered B.02.1.HM.0.SGM.0.3.1/15, valuation and accounting of the assets and liabilities of the insurance companies should be performed in accordance with the requirements of the CMB's Communiqué (No: 25 of Serial XI) on "Accounting Standards in the Capital Markets" published in the Official Gazette dated 15 November 2003 and numbered 25290 until a new regulation is made by the Undersecretariat of the Treasury. Furthermore, without violating the rights and benefits of the policyholders, each of the financial investments of which their risks are attributable to the policyholders should be classified as held to maturity investments, available for sale investments and held for trading investments and valued in accordance with the requirements of the CMB's relevant communiqué.

It is also declared that, during the follow-up of the available for sale investments that belongs to the policyholders under shareholders' equity; only the Company portion of any gain or loss results from the difference in the valuation methods between the fair value and the internal rate of return should be recorded to equity.

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

#### a. Financial Instruments (cont'd)

The Company reclassified its investment funds and reverse repos as securities held for trading and reflected the difference between the acquisition cost and market price to the profit and loss accounts. All financial instruments except investment funds and reverse repos were classified as available for sale investments. Therefore, government bonds and treasury bills were firstly valued according to the internal rate of return method and the difference between the acquisition cost and the internal rate of return value was reflected to the profit and loss accounts, and then relevant instruments are compared to the market prices of Istanbul Stock Exchange (ISE) and the difference was recorded under shareholders' equity.

Common stocks are initially adjusted in accordance with inflation accounting and the publicly traded stocks are subject to subsequent valuation using their market prices and the difference between restated cost and market price is recorded under shareholders' equity. Impairment is calculated for stocks that are not publicly traded, if it is applicable.

The above mentioned methods for valuation of financial instruments are applied starting from 1 January 2005.

#### b. Technical Provisions

As set out per the Insurance Law, valid from 14 June 2007, and "Circular related to the Convergence of Technical Provisioning of the Insurance and the Reinsurance and the Pension Companies with Legal Provisions of Insurance Law No: 5684" of Undersecretariat of the Treasury, dated 4 July 2007, unearned premium reserves, outstanding claims provision, and reinsurer's share of these provisions are included in the technical insurance accounts in the financial statements in accordance with the principles mentioned below:

The provision for unearned premium reserves represents the amount of net premiums underwritten in the current period but corresponds to the period subsequent to the balance sheet date and is calculated on daily basis. According to the declaration of the Undersecretariat of the Treasury dated 10 December 2004 and numbered B.02.1.HM.0.SGM.0.3.1.1-75762, for the transportation policies which have no any specific due dates, 50% of the remaining portion of the premiums accrued in the last three months after subtracting the commissions, is provided as unearned premium reserves.

Previously, unearned premium reserve was calculated on the net retained premiums written in return of the earthquake guarantees given in fire and engineering insurance branches, net-of-commissions. However, as set out per the "Circular related to the Convergence of Technical Provisioning of the Insurance and the Reinsurance and the Pension Companies with Legal Provisions of Insurance Law No: 5684" of Undersecretariat of the Treasury, dated 4 July 2007, the earthquake premiums should not be netted from the premiums underwritten after 14 June 2007 for the unearned premium reserve calculation. On the other hand, unearned premium reserve should be calculated on premiums net-of-commissions. Net-of-commissions application will cease to exist with technical provision regulation of Insurance Law No: 5684, valid after 1 January 2008.

### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES,

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

b. Technical Provisions (cont'd)

Provision for outstanding claims are provided for the outstanding claims reported but not paid at the period end. Any differences regarding to the claims paid and provision provided is reflected to the records at the date that the payment is made. Reinsurer share of the outstanding claim provisions are shown separately.

Regulation on the Changes in the Foundation and Operation Principles of Insurance and Reinsurance Companies was put into effect after it was published in the Official Gazette dated 27 January 2004 numbered 25359. According to the first article of the regulation, insurance and reinsurance companies should provide provision for the estimated and accrued outstanding claims in the previous or the current periods. If the Company is unable to estimate the amount of claim provision, the outstanding claim provision should be provided based on the estimated values of the incurred but not reported claims. By the declaration of the Undersecretariat of the Treasury dated 18 January 2005 and numbered B.02.1.HM.0.SGM.0.3.1.1-03821, it is stated that incurred but not reported claims included in the financial statements as of the balance sheet date will be followed as a sub-account under outstanding claims provision. The same declaration also states that, this provision is calculated based on the recent 3 years' information as of 31 December 2004 (In computing the 2005 results; the recent four years and for 2006 and the following years' results; the recent five years are taken into account) and calculated based on the net retention amount and on insurance basis by subtracting the proceeds such as subrogation and salvage value or any other similar income.

It is stated that when calculating the incurred but not reported claims, weighted averages of previous years' premium productions and relevant incurred but not reported claim amounts will be taken into consideration and the current year's incurred but not reported claims is measured multiplying the calculated weighted average and the current year premium production.

The Company's incurred but not reported claims included in the outstanding claim provisions in the accompanying financial statements and calculated according to the methods mentioned above as of 31 December 2007 amounts to TRY 14.776.008, net of reinsurance share (31 December 2006 – TRY 6.771.343)

Regulation on the Changes in the Foundation and Operation Principles of Insurance and Reinsurance Companies denotes that insurance companies should provide additional outstanding claim provision as the amount of the difference between the outstanding claim adequacy ratio and 90%; if the average of the last five years outstanding claim adequacy ratio, except for the current year, is below 90%. As of 31 December 2007, the average of last five years' adequacy ratio calculated by the Company is 95,31% excluding the life insurance. (31 December 2006: 103,27%)

11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

#### b. Technical Provisions (cont'd)

At the end of each period, beginning from 1 January 1995, one third of the net retained premiums written in return of the earthquake guarantees given in fire and engineering insurance branches, after deducting commissions and expenses paid, is provided as an earthquake claims provision for 15 years. Beginning from 6 September 2005, in accordance with Article 26 of the Communiqué on the "Foundation and Operation Principles of Insurance and Reinsurance Companies" published in the Official Gazette on 26 December 1994, measurement of earthquake claims provision was changed as follows:

"Insurance and reinsurance companies provide 50% of the net retained premiums income in return of earthquake guarantees given in fire and engineering insurance branches, after deducting one third of this net retained premiums as commissions and expenses paid as an earthquake claims provision for 15 years. However, provision provided cannot be lower than 6% of the gross earthquake premiums written. Provided that, not exceeding the earthquake claim provision foreseen for the current year and ensuring adequate provision for the earthquake risk, premiums related with the non-proportional reinsurance agreements are deducted from the provision. The income generated by the funds created by this provision is also presented in this account. Losses realized from the investments of these funds cannot be reduced from the provision amount. Retention part of the payments made for the claims related to earthquake guarantees given are deducted from the provision on "a first in first out" basis beginning from the first year earthquake claim provisions if available. If no payment is settled, all recognized provision and income are transferred to shareholders' equity at the end of the 15<sup>th</sup> year".

As set out per the "Circular related to the Convergence of Technical Provisioning of the Insurance and the Reinsurance and the Pension Companies with Legal Provisions of Insurance Law No: 5684", published on 4 July 2007 by Undersecretariat of the Treasury, the application on earthquake claims provision has been changed as follows:

"Since the Earthquake Claims Provision does not take place among the provisions of Insurance Law No:5684, earthquake claims provision will not be provided in 2007.

However, the earthquake claims provision provided in the previous years should be transferred the optional reserves according to the Temporary Article No:5 of the stated law.

Accordingly, the earthquake claims provision together with the income gained from the related provision until 14 June 2007 should be transferred to a new account with account name "the Transferred Earthquake Claims Provision" on the Insurance Chart of Account on 1 September 2007. Besides, this account should never be subject to profit distribution or transferred to another account. Moreover, the Earthquake Claims Provision amount provided in 2007 should be reversed".

In the previous year financial statements, Earthquake Claim Provision was provided in accordance with the related communiqué. In accordance with the stated circular above, the Earthquake Claims Provision amount provided in 2007 was reversed. As set out per the provisions of Insurance Law No: 5684, the earthquake claims provision should be transferred to optional reserves in 3 months period. As stated on the circular of Undersecretariat of the Treasury above, the earthquake claims provision together with the income gained from the related provision until 14 June 2007 should be transferred to a new account under shareholders' equity on the Insurance Chart of Account on 1 September 2007.

#### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### b. Technical Provisions (cont'd)

The earthquake claims provision together with the income gained from the related provision until 14 June 2007 is transferred to the income reserve under shareholders' equity amounting TRY 52.898.500 on 1 September 2007.

Mathematical reserves which are calculated over life insurance policies for the compensations that the Company commits to pay in the future are calculated according to the generally accepted actuarial calculations approved by the Undersecretariat of the Treasury. Net revenues generated from those provisions by the investment activities are provided as life profit share provision to be distributed to the policyholders.

### c. Subrogation Income Accruals

The Undersecretariat of the Treasury made some disclosures on accounting for subrogation income accruals in order to establish the uniformity considering various applications in the sector under the declarations published on 18 January 2005 and numbered B.02.1.HM.0.SGM.0.3.1.1-3534 and some disclosures on accounting for the subrogation income for 2004 under the supplementary Article No: 2005/of 24 of the related declaration. According to these declarations, the insurance companies will be able to record the subrogation amounts from insurance companies as income, irrespective of having furnished the certificate of release from the counter insurance companies, as long as the insurance company settles the payment of compensation to the policyholder and gathers the relevant payment document from the policyholder.

The Company has determined the amount of its subrogation receivables in accordance with its declaration made to the Union of the Turkish Insurance and Reinsurance Companies as of 3 February 2005. The Company has calculated the total subrogation receivable amount from the insurance companies as TRY 4.955.783 as of 31 December 2007 (31 December 2006 - TRY 7.487.721) and the retention amount of this subrogation receivables after the reinsurance share of TRY 1.537.000 (31 December 2006 - TRY 2.715.551) as TRY 3.418.783 (31 December 2006 - TRY 4.772.170). As of balance sheet date, TRY 4.168.425 (31 December 2006 - TRY 2.176.965) of retained subrogation payable out of TRY 2.509.871 (31 December 2006 - TRY 3.666.772) worth of subrogation payables to the insurance firms and TRY 1.658.554 (31 December 2006 - TRY 1.489.807) reinsurer share are recorded under outstanding claims provision and other technical expenses accounts.

Moreover, the Company presents TRY 12.947.955 (31 December 2006 - TRY 11.042.803) of subrogation receivable which is the retained amount out of TRY 26.748.320 (31 December 2006 - TRY 25.045.965) worth of subrogation receivables and TRY 13.800.365 (31 December 2006 - TRY 14.003.162) reinsurance share and all of which is arising from the litigations in and before 2007 as doubtful receivables from main operations and technical income and records provision for the whole amount of TRY 12.947.955 and it is shown under the provision expenses.

### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### d. Premium Income and Claims

Premium income represents premiums on policies written during the year net of cancelled policies. Unearned premiums, set aside to provide for the period of risk extending beyond the end of the financial year, are determined from premiums written during the year on daily pro-rata basis.

Claims are expensed as they are paid. Outstanding claims provision is provided for the claims that are reported at the period end but not yet paid and for the claims incurred but not reported. Reinsurer's shares of claims paid and outstanding loss provisions are presented separately.

### e. Receivables from Policyholders and Agents

Based on Article 27 of the Communiqué on "Foundation and Operation Regulations for Insurance and Reinsurance Companies" published in the Official Gazette numbered 22153 and dated 26 December 1994 by the Undersecretariat of the Treasury which has been in effect as of 1 January 1995; insurance companies should provide provision for due premiums from policyholders and agents which can not be collected in two months period.

Since, there's no provision for due premiums from policyholders and agents which can not be collected in two months period in the Insurance Law No: 5684, it has been stated in the "Circular related to the Convergence of Technical Provisioning of the Insurance and the Reinsurance and the Pension Companies with Legal Provisions of Insurance Law No: 5684", published on 4 July 2007 by Undersecretariat of the Treasury that no provision should be provided for due premiums from policyholders and agents which can not be collected in two months period. The application related to the provision provided until that date was left to the companies' initiative. The Company's management believes that there is no other doubtful receivables other than the default receivables under legal follow up. The Company reversed the provision for due premiums from policyholders and agents provided as of 31 December 2006 and reflected income to the income statement. As of 31 December 2007, no other provision was provided other than the receivables under legal follow up (31 December 2006: TRY 6.864.460).

Furthermore, the Company is provided provision for doubtful receivables under the legal and management follow up not included in the premium provision mentioned above in accordance with Article 323 of the tax legislation. As of 31 December 2007, the amount of doubtful receivables under legal and management follow up is TRY 7.496.800 (31 December 2006: 6.572.557). The related provision provided for these receivables as of 31 December 2007 is TRY 3.420.857 (31 December 2006 - TRY 2.878.017) after deducting the guarantees obtained in return of those receivables.

In the accompanying financial statements, TRY 23.210.759 ( 31 December 2006 - TRY 43.049.293) of receivables from insurance operations consists of the receivables from the reinsurer and insurance companies and they are represented as premium receivables in accordance with the chart of accounts. Similarly, TRY 31.445.871 (31 December 2006 - TRY 21.149.294) of insurance payables included in liability accounts also consist of payables to the reinsurance and insurance companies.

### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

### f. Discount of Receivables and Payables

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

Receivables and payables are recorded with their book values in the financial statements. Notes receivables and payables with the due date of three months or more are discounted. As of the balance sheet date, a discount rate of 27% (31 December 2006 - 29%) is used to discount notes receivables and payables in TRY. The rates used to discount notes receivables and payables and receivables and payables in foreign currencies change depending on the currency type.

### g. Tangible and Intangible Fixed Assets

Fixed assets carried at indexed historical cost are restated for the periods between the acquisition date of fixed assets until 31 December 2004. Fixed assets, other than land with indefinite useful life, are depreciated principally on a straight-line basis over their expected useful lives:

	(%)
Buildings	2
Vehicles	20-25-50
Furnitures, Fixtures and Equipments	10-20
Intangible Assets	10

### h. Assets and Liabilities in Foreign Currency

The Company values its foreign currency assets by the foreign currency buying rate of the Central Bank of Turkey and its foreign currency liabilities by the foreign currency selling rate of the Central Bank of Turkey as at the balance sheet date. The foreign exchange difference from these transactions is included in the income statement. The Company revalues its premium receivables with the exchange rate prevailing on the policy beginning date and recognizes the exchange rate difference in its financial statement when the collection is made.

### i. Retirement Pay Provision

Retirement pay provision is calculated in the accompanying financial statements for the potential future payments to be made to employees who are entitled to such payment and the necessary provisions are provided in accordance with the regulations of the CMB.

The amount of the retirement pay provision at the balance sheet date is TRY 6.176.614 (31 December 2006 - TRY 5.196.220). Total employee termination expense for the period January-December 2007 is TRY 1.383.362 (31 December 2006 - TRY 1.139.807).

### j. Dividend Income

The Company recognizes its dividend income on financial assets on accrual basis and reflects to the income statement on a pro-rata basis. In 2007, the Company has total dividend income of TRY 74.534.708 (2006: TRY 59.256.593).

### 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

### k. Incentive Commissions

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

The Company gives incentive commission to its agents depending on some certain performance factors. The Company recognizes incentive commissions of the agents according to income accrual basis and reflects to the income statement monthly on a pro-rata basis.

l. Excess of Loss Payments

The Company relates its payments to reinsurance companies, which were paid for excess of loss reinsurance agreements, according to the pro-rata basis in the income statement.

m. Clean- Cut Applications

The Company has clean cut agreements in motor branch. 2005 premium and loss portfolio withdrawals related to these agreements are realized by the Company as of 31 December 2005. Nonetheless, portfolio entries of the agreements whose treaty conditions for the new period are neither confirmed by the reinsurer firms nor finalized as of the balance sheet date are made in 2005. The income realized from the portfolio entries and withdrawals related with the mentioned reinsurers due to the change in the retention rates of the Company in the following period amounts to TRY 8.912.387 and has been represented in other technical income at second half of 2005. These reinsurers have confirmed the new treaty conditions in 2006. Income realized from the portfolio entries of reinsurers that confirmed the treaty conditions as of 31 December 2005, recorded in 2006, is TRY 7.425.258. In the previous years, as an accounting principle, the Company recorded the adjustments related with the change in the retention rates resulted from the withdrawal of the reinsures from treaty in the subsequent period in the current period. As the retention rate of the company has not changed in 2007, neither portfolio withdrawal of 2006 nor portfolio entry of 2007 had effect on the income statement

On the other hand, as of 4 April 2007, the Company has ceased relations with Transatlantic Reinsurance Company, one of the motor and legal protection treaty reinsurance. Retention of the Company has increased in motor and legal protection branches by 5% and 50%, respectively, as a result of the portfolio withdrawal. Portfolio withdrawal processes were finalized within the first six month and TRY 4.867.305 income has been reflected to the income statement under technical income.

n. Taxation

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

Corporate tax is calculated on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses and by deducting tax exempt income and other deductions (carry forward tax losses and investment incentives utilized, if any).

The effective tax rate for 2007 is 20% (2006: 20%).

11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

n. Taxation (cont'd)

Corporate Tax(cont'd)

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% for 2007 (2006 - 20%). The excess of 20% on advance taxes paid that were calculated at the rate of 30% during advance taxation periods after 1 January 2006 will be offset against advance taxes for the subsequent periods.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate (the companies that have special accounting periods file their tax returns between 1-25 dates of the following fourth month of their period end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

### Income withholding tax

In addition to corporate taxes, companies should also calculate income 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 income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 21 June 2006 with Article 15 of Law No.5520. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting tax investment incentives in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the tax rate will be 20% and the unused investment incentive will be cancelled.

The Company has applied 20% tax rate since it does not use the investment incentive.

11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND THEIR REASONS (cont'd)

- n. Taxation (cont'd)

### Inflation Adjusted Tax Calculation

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 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, specific in related regulations. As inflation met certain thresholds for the year 2004, the Company has adjusted its statutory financial statements in accordance with Law No. 5024 and inflation adjusted balances were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds for the years 2005, 2006 and 2007, no further inflation adjustment made to the Company's statutory financial statements.

o. Comparative Information

Comparative information are reclassified in order to comply with the presentation of the financial statements, if necessary.

12. SUBSEQUENT EVENTS

According to the 6 March 2008 Board of Directors' resolution, the Company purchased 25% share of Merter B.V. on 7 March 2008 with participating 12.5% of shopping mall project in Merter, İstanbul with 13,073,233 Euro

Retirement Pay Provision ceiling is TRY 2.087,92 as of 1 January 2008.

13. INFORMATION ON CONTINGENT LOSSES AND ALL CONTINGENT GAINS

Total amount of claims filed against the Company as of the balance sheet date is TRY 51.652.300. The total amount of claims filed by the Company to third parties is TRY 34.069.659 and TRY 7.321.338 of this amount is related to the cases brought against for the collection of receivables from the agencies (31 December 2006: Total amount of claims filed against the Company as of the court date is TRY 39.684.098. In addition to this, the total amount of claims brought by the Company is TRY 31.408.456, and TRY 6.362.491 of this amount is related to the cases brought against for the collection of receivables from the agencies). The Company allocates provisions for agencies and outstanding claims in the accompanying financial statements.

14. MATERIAL CHANGES IN ACCOUNTING ESTIMATES ABOUT THE COMPANY'S GROSS PROFIT AND MONETARY EFFECTS OF THESE CHANGES

None.

15. GUARANTEES AND MORTGAGES ON ASSETS

Based on the Foundation and Operation Regulations of Insurance and Reinsurance Companies, total guarantee allocated in favor of the Undersecretariat of the Treasury for the purpose of commitments due to insurance policies is TRY 163.953.640 and total guarantee obligation is TRY 161.831.024 (31 December 2006 - TRY 98.606.661 and TRY 91.352.615, respectively).

16. INSURANCE ON ASSETS

31 December 2007

<u>Type of Asset</u>	<u>Net Book Value</u>	<u>Insurance Coverage</u>	<u>Coverage Rate</u> %
Tangible Fixed Assets	49.736.440	214.622.067	431

31 December 2006

<u>Net Book Value</u>	<u>Insurance Coverage</u>	<u>Coverage Rate</u>
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# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

<u>Type of Assets</u>			<u>%</u>
Tangible Fixed Assets	47.972.717	173.031.230	361

### 17. GUARANTEES AND MORTGAGES RECEIVED

As of 31 December 2007, the Company's total receivables from the insurance activities net of the subrogation receivables is TRY 294.080.153 (31 December 2006 - TRY 249.532.928). Details of the guarantees received related with these receivables are shown below:

<u>Type of Guarantees</u>	31 December 2007 TRY	31 December 2006 TRY
Letters of Guarantee	17.976.356	14.165.616
Treasury Bills and Stocks	366.630	253.091
Real Estate Mortgage	88.003.937	72.429.179
Other	622.243	542.025
	<u>106.969.166</u>	<u>87.389.911</u>

### 18. COMMITMENT AND CONTINGENT LIABILITIES

<u>Commitment Type</u>	31 December 2007 TRY	31 December 2006 TRY
Letter of Guarantee	4.304.121	3.103.852
Other Commitments	565.250	565.250
	<u>4.869.371</u>	<u>3.669.102</u>

### 19. GUARANTEES TO BE DETERMINED FOR LIFE AND NON-LIFE INSURANCES AND GUARANTEES DETERMINED FOR ASSETS BASED ON LIFE AND NON-LIFE INSURANCES BY THE COMPANY

The Company's guarantees set aside and must be set aside for life and non-life insurances based on the branches are as follows:

Branch	31 December 2007		31 December 2006	
	Required Blockage TRY	Current Blockage TRY	Required Blockage TRY	Current Blockage TRY

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

None Life	149.066.511	<u>149.773.967</u>	77.019.755	<u>83.538.079</u>
Government Bond		76.652.297		30.058.727
Common Stock		27.897.051		14.969.475
Real – Estate		45.224.619		38.509.877
Life	12.764.513	<u>14.149.673</u>	14.332.860	<u>15.068.582</u>
Government Bond		9.891.924		12.192.722
Common Stock		2.123.651		2.875.860
Reverse Repo		2.164.098		-
<b>TOTAL</b>	<b>161.831.024</b>	<b><u>163.953.640</u></b>	<b>91.352.615</b>	<b><u>98.606.661</u></b>

### 20. THE COMPANY'S NUMBER OF LIFE INSURANCE POLICIES, ADDITIONS, DISPOSALS DURING THE YEAR AND THE RELATED MATHEMATICAL RESERVES

	Number	Mathematical Reserve TRY
31 December 2006	3.233	11.791.753
Additions	-	2.676.044
Disposals	(1.595)	(5.680.451)
31 December 2007	<u>1.638</u>	<u>8.787.346</u>

	Number	Mathematical Reserve TRY
31 December 2005	6.483	19.985.785
Additions	-	4.149.049
Disposals	(3.250)	(12.343.081)
31 December 2006	<u>3.233</u>	<u>11.791.753</u>

### 21. GUARANTEE AMOUNTS GIVEN TO NON-LIFE INSURANCES ACCORDING TO BRANCHES

31 December 2007 31 December 2006

# AKSIGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

<u>Branch</u>	<u>TRY</u>	<u>TRY</u>
Fire	73.016.657.681	133.440.219.238
Transportation	44.091.030.692	112.228.147.771
Accident	36.439.707.220	63.018.599.264
Auto Liability	971.455.842.352	893.913.521.938
Machine Assembly	10.247.786.493	24.331.631.284
Agriculture	85.751.857	104.429.351
Legal Protection	4.125.247.749	1.994.032.191
Personal Accident	35.262.735.659	30.805.777.701
Total	<u>1.174.724.759.703</u>	<u>1.259.836.358.738</u>

### 22. PENSION FUNDS ESTABLISHED BY THE COMPANY AND UNIT PRICES

As of the balance sheet date, there are no pension funds established by the Company.

### 23. PARTICIPATION CERTIFICATES IN PORTFOLIO AND IN CIRCULATION

There are no participation certificates in portfolio or in circulation as of the balance sheet date.

### 24. NUMBER AND PORTFOLIO AMOUNTS OF INCOMING, DIVERGENT, CANCELLED AND EXISTING INDIVIDUAL AND GROUP RETIREMENT PARTICIPANTS IN THE CURRENT PERIOD

None.

### 25. THE FAIR VALUE OF MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT COST VALUE ON THE BALANCE SHEET, THE COST VALUE OF MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT FAIR VALUE ON THE BALANCE SHEET

#### FINANCIAL ASSETS

#### Investments in Associates

Listed	31 December 2007			31 December 2006		
	Inflation Adjusted Cost Value	Fair Value	Book Value	Inflation Adjusted Cost Value	Fair Value	Book Value
	TRY	TRY	TRY	TRY	TRY	TRY
Akbank T.A.Ş.	402.792.696	1.583.834.450	1.583.834.450	384.345.131	1.245.221.605	1.245.221.605
Akçansa Çimento	93.839.016	100.904.947	100.904.947	93.839.016	120.942.809	120.942.809
Çimsa	1.314.806	26.817.758	26.817.758	1.314.806	28.221.013	28.221.013
Yünsa	1.185.963	727.398	727.398	1.185.963	936.471	936.471
Total	<u>499.132.481</u>	<u>1.712.284.553</u>	<u>1.712.284.553</u>	<u>480.684.916</u>	<u>1.395.321.898</u>	<u>1.395.321.898</u>

### 25. THE FAIR VALUE OF MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT COST VALUE ON THE BALANCE SHEET, THE COST VALUE OF

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT FAIR VALUE ON THE BALANCE SHEET (cont'd)

#### Affiliates

	31 December 2007		31 December 2006	
	Inflation Adjusted Cost Value TRY	Book Value TRY	Inflation Adjusted Cost Value TRY	Book Value TRY
Unlisted				
Ak Emeklilik A.Ş. (*)	-	-	134.144.189	169.271.898
Tursa Sabancı Tur. ve Yat. İşl. A.Ş.	18.681.633	4.315.993	18.681.633	4.259.741
Dönkasan	541	541	541	541
Ak Finansal Kiralama A.Ş.	3.490	3.490	3.490	3.490
Akyatırım Menkul Değerler	16.505	16.505	16.505	16.505
Tarsim A.Ş.	272.727	272.727	333.333	333.333
Tarsim A.Ş. - sermaye taahhütleri (-)	(204.545)	(204.545)	(239.584)	(239.584)
Temsa	3.187.014	3.187.014	3.187.015	3.187.015
Total	21.957.365	7.591.725	156.127.122	176.832.939

#### Joint ventures

	31 December 2007		31 December 2006	
	Inflation Adjusted Cost Value TRY	Book Value TRY	Inflation Adjusted Cost Value TRY	Book Value TRY
Unlisted				
AvivaSA Emeklilik ve Hayat A.Ş. (*)	130.516.055	548.222.171	-	-
Total	651.605.901	2.268.098.449	636.812.038	1.572.154.837

(\*)In the Extraordinary General Meeting of AvivaSA Emeklilik ve Hayat A.Ş. (formerly known as Ak Emeklilik A.Ş) which was held on 31 October 2007, the Board resolved on the entire transfer of Aviva Hayat ve Emeklilik A.Ş. with all of its assets, liabilities, rights and obligations in accordance with the provisions of Article 451 of the TCC and Articles 19-20 of the Corporate Tax Law based on the written permits both received from the Insurance General Directorate of the Undersecretariat of Treasury (permit no: 45508) and General Directorate of Internal Commerce of the Ministry of Industry and Trade (permit no: 6206) at 9 October 2007 and the Board also approved the contract regarding the business combination including the amendment of the articles of association. Aksigorta A.Ş. and Aviva International Holdings Limited which are the parent companies of AvivaSA has equal capital partnership therefore, AvivaSa Emeklilik ve Hayat A.Ş. has been classified as a joint venture. This business combination was finalized using the company values calculated based on results of the 16 July 2007 dated expert report prepared by group of experts appointed in accordance with the decision No: 2007/876 made by the Commercial Court of First Instance 3rd of Kadıköy on 11 July 2007.

During the above-mentioned business combination process, the Board of the Directors also resolved to sell 205.115.762 number of Ak Emeklilik A.Ş. shares (which correspond to 10,316% of its partnership ratio) to Aviva International Holdings Limited in consideration of USD 100.000.000 and to recognize 75% of the sale proceed under the fund account in the shareholders' equity for future capital increases. The sale profit which was received in cash amounts to TRY 111.046.754 of which 75% (equals to TRY 83.285.066) has been recorded under the fund account and the remaining amount (equals to TRY 27.761.688) has been recognized under the sale profit account.

25. THE FAIR VALUE OF MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT COST VALUE ON THE BALANCE SHEET, THE COST VALUE OF

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT FAIR VALUE ON THE BALANCE SHEET (cont'd)

#### Provision for diminution in value of financial assets

	<u>31 December 2007</u>	<u>31 December 2006</u>
Tursa Sabancı Turizm ve Yatırım İşl.A.Ş.	(14.365.640)	(14.421.893)

#### FINANCIAL ASSETS AND INVESTMENTS WITH RISKS ON POLICY HOLDERS

##### Securities Available for Sale

	<u>31 December 2007</u>		<u>31 December 2006</u>	
	Cost Value TRY	Fair Value Book Value TRY	Cost Value TRY	Fair Value Book Value TRY
Government Bonds-Treasury Bills	90.476.274	91.144.609	39.040.155	42.222.764

As of 31 December 2007, TRY 86.428.356 of Government Bonds are given as collateral on behalf of the Undersecretariat of the Treasury (31 December 2006: TRY 42.222.764). TRY 9.889.854 of the marketable securities available for sale are represented in Investments with Risks on Policy Holders (31 December 2006: TRY 12.199.266).

##### Securities Held for Trading

	<u>31 December 2007</u>		<u>31 December 2006</u>	
	Cost Value TRY	Fair Value Book Value TRY	Cost Value TRY	Fair Value Book Value TRY
B Type Mutual Funds	8.047.512	26.616.530	8.047.512	22.464.971
Reverse Repo	-	-	1.020.746	1.020.746
Reverse Repo (Additional Life Repo)	-	-	2.114.914	2.114.914
Total	8.047.512	26.616.530	11.183.172	25.600.631
Grand Total	98.523.786	117.761.139	50.223.327	67.823.395

#### 26. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

As of the balance sheet date, there are no securities issued by shareholders, affiliates and subsidiaries.

#### 27. DETAILS OF "OTHER" BALANCES IN FINANCIAL STATEMENTS

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

Other assets, other payables and other liabilities which exceed 20% of their group or 5% of the total assets are as follows:

	31.12.2007	31.12.2006
<u>Other Receivables</u>	<u>TRY</u>	<u>TRY</u>
Receivables of Insurance Natural Disasters	2.273.115	1.377.419
Others	713.866	559.578
Total	<u>2.986.981</u>	<u>1.936.997</u>
	31.12.2007	31.12.2006
<u>Other Tangible Assets</u>	<u>TRY</u>	<u>TRY</u>
Leasehold Improvements	1.832.473	1.830.952
	31.12.2007	31.12.2006
<u>Other Liabilities</u>	<u>TRY</u>	<u>TRY</u>
Payables to Suppliers	3.111.340	3.526.839
Payables to Contracted Service	6.782.565	9.316.343
Payables of Insurance for Natural Disasters	2.040.292	1.637.554
Tarsim Current Account	502.504	-
Other	387.078	562.908
Total	<u>12.823.779</u>	<u>15.043.644</u>
	31.12.2007	31.12.2006
<u>Other Technical Provisions</u>	<u>TRY</u>	<u>TRY</u>
Provision for Earthquake Claims (*)	-	48.887.419
	31.12.2007	31.12.2006
<u>Changes in Other Technical Provisions</u>	<u>TRY</u>	<u>TRY</u>
Earthquake Claims Provision (*)	-	3.647.326

(\*)The Earthquake Claims Provision which was provided as set out per the Desuetude Law No: 7397 of Insurance Auditing, has not been provided anymore due to; Insurance Law No: 5364, published on 14 June 2007 dated and 26552 numbered Official Gazette and; the "Regulation on Technical Provisioning of Insurance and the Reinsurance and the Pension Companies and the Investment Policy of this Provisions" published on 4 May 2007 dated and 26512 numbered Official Gazette. As explained in note 11/c, the earthquake claims provision, as set out per the "Circular related to the Convergence of Technical Provisioning of the Insurance and the Reinsurance and the Pension Companies with Legal Provisions of Insurance Law No: 5684", published on 4 July 2007 by Undersecretariat of the Treasury, has been transferred to a new account under shareholders' equity on the Insurance Chart of Account on 1 September 2007. The transferred amount is TRY 52.898.500.

## 27. DETAILS OF "OTHER" BALANCES IN FINANCIAL STATEMENTS (cont'd)

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

	31.12.2007	31.12.2006
<u>Other Technical Income</u>	<u>TRY</u>	<u>TRY</u>
Reinsurance Commissions Received	50.331.648	54.046.762
Loss-premium Portfolio Entry/ Withdrawal	5.884.372	7.425.258
Accrued Subrogation Receivables	551.765	3.364.093
Other	911.415	559.658
Total	<u>57.679.200</u>	<u>65.395.771</u>

	31.12.2007	31.12.2006
<u>Other Expenses and Losses</u>	<u>TRY</u>	<u>TRY</u>
Expensed doubtful agency receivables based on evidence of insolvency	660.036	1.201.513
Others	677.366	949.131
Total	<u>1.337.402</u>	<u>2.150.644</u>

28. RECEIVABLE FROM AND PAYABLE TO PERSONNEL EXCEEDING 1% OF TOTAL ASSETS INCLUDED IN OTHER RECEIVABLES AND OTHER SHORT OR LONG TERM PAYABLES

There are no receivables from or payables to personnel which exceed 1% of total assets.

29. DOUBTFUL RECEIVABLES FROM SHAREHOLDERS, AFFILIATES OR SUBSIDIARIES

There are no doubtful receivables from shareholders, affiliates or subsidiaries.

30. DOUBTFUL RECEIVABLES ALREADY DUE OR NOT YET DUE

The Company provides doubtful receivable provision for receivables that are under legal or management follow-up. As of the balance sheet date, after netting off guarantees received, the Company provided provision of TRY 3.420.857 (31 December 2006: TRY 2.878.017) for doubtful receivables amounting to TRY 7.496.800. Moreover, the Company recorded TRY 12.947.955 of provision for the subrogation receivables that are subject to litigation and under its retention (31 December 2006 - TRY 11.042.803).

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 31. EQUITY INVESTMENTS

<u>Investment in Associates and Affiliates and Joint Ventures</u>	<u>Participation Amount</u>	<u>Participation Rate %</u>	<u>Financial Statement Date</u>	<u>Pre tax period Profit/ Loss</u>	<u>Net Period Profit/ Loss</u>	<u>Financial Statement Standards</u>	<u>Independent Audit</u>	<u>Independent Auditors Report</u>
Avivasa A.Ş.	548.222.171	49,83	31.12.2007	(15.380.893)	(15.380.893)	SFRS	Un-Audited	(*)
Tursa Sabancı Tur. Ve Yat.İşl.A.Ş.	4.315.993	2,57	31.12.2007	2.127.404	2.125.236	IFRS	Un-Audited	(*)
Akbank T.A.Ş.	1.583.834.450	6,07	31.12.2007	2.461.122.000	1.994.294.000	BRSA	Audited	Un-qualified
Akçansa Çimento	100.904.947	7,47	30.09.2007	195.892.674	165.012.685	CMB	Un-Audited	(*)
Çimsa	26.817.758	2,57	30.09.2007	296.758.405	265.869.480	CMB	Un-Audited	(*)
Yünsa	727.398	1,49	30.09.2007	6.721.702	4.922.688	CMB	Un-Audited	(*)
Temsa	3.187.014	2,75	31.12.2007	38.437.616	31.470.287	TCC	Un-Audited	(*)
Ak Finansal Kiralama A.Ş.	3.490	0,005	31.12.2007	27.124.624	27.124.624	IFRS	Un-Audited	(*)
Akyatırım Menkul Değerler	16.505	0,02	30.09.2007	17.309.091	13.841.429	IFRS	Un-Audited	(*)
Dönkasan	541	0,02	31.12.2007	3.683.007	2.941.603	TCC	Un-Audited	(*)
Tarsim A.Ş.	272.727	5,26	31.12.2007	300.765	237.311	TCC	Un-Audited	(*)
Tarsim A.Ş. capital commitments (-)	(204.545)							
<b>TOTAL</b>	<b><u>2.268.098.449</u></b>							

(\*) Independent auditor's report could not be obtained as of the balance sheet date.

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 32. BONUS SHARES OBTAINED FROM AFFILIATES AND SUBSIDIARIES DUE TO INTERNAL CAPITAL INCREASE

TRY 36.409.987 of bonus shares were acquired from Akbank T.A.Ş. in the current period. TRY 17.962.422 of this amount is consisted of the capital indexation differences of Akbank T.A.Ş. and since the related amount is followed in the indexed cost of Akbank T.A.Ş. investment, it is not recognized in the financial statements of the Company. The remaining amount of TRY 18.447.565 has been recognized in the income statement using the pro-rata basis (31 December 2006 – TRY 26.479.691 of bonus shares were acquired from Akbank T.A.Ş.. TRY 13.239.845 of this amount is consisted of the capital indexation differences of Akbank T.A.Ş. and since the related amount is followed in the indexed cost of Akbank T.A.Ş. investment, it was not recognized in the financial statements of the Company. The remaining amount of TRY 13.239.845 was recognized in the income statement using the pro-rata basis. Also, bonus shares amounting to TRY 1.886.881 were acquired from Akçansa Çimento A.Ş.. TRY 167.505 of this amount is consisted of the capital indexation differences of Akçansa Çimento A.Ş. and since the related amount was followed in the indexed cost, it was not recognized in the financial statements of the Company. Bonus shares amounting to TRY 1.155 were acquired from Ak Finansal Kiralama and this amount was recognized in the cost).

### 33. NON-CASH RIGHTS ON IMMOVABLES

There are no non-cash rights on immovable.

### 34. SURPLUS ARISING FROM FINANCIAL ASSETS DURING THE LAST THREE YEARS

Classification and journalization of available for sale financial assets has recognized beginning from 1 January 2005, increase in value for the related assets amounting to TRY 1.630.795.831 in the accompanying financial statements (31 December 2006: TRY 949.750.007).

<u>Year</u>	<u>TRY</u>
31 December 2007	1.630.795.831
31 December 2006	949.750.007
31 December 2005	967.741.587

### 35. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### Foreign Currency Receivables

#### Banks

	31 December 2007			31 December 2006		
	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>
USD	105.539.847	1,1647	122.922.259	1.701.076	1,4056	2.391.032
CHF	11.537	1,0273	11.852	9.145	1,1503	10.520
EUR	1.071.237	1,7102	1.832.030	795.396	1,8515	1.472.675
GBP	3.722	2,3259	8.657	7.065	2,7569	19.478
JPY	293.609	0,0103	3.018	293.609	0,0118	3.464
			<u>124.777.816</u>			<u>3.897.169</u>

### Foreign Currency Receivables(Liabilities)

	31 December 2007(Liability)			31 December 2006(Receivable)		
	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>
USD	3.676.447	1,1647	4.281.958	1.415.820	1,4124	1.999.704

(\*) Details of foreign currency denominated premium receivables could not be obtained as of the report date.

#### 36. GUARANTEES GIVEN ON BEHALF OF SHAREHOLDERS, AFFILIATES AND INVESTMENT IN ASSOCIATES

There are no guarantees given on behalf of shareholders, affiliates or investment in associates.

#### 37. PERSONNEL STRUCTURE

	31 December 2007	31 December 2006
Senior Managers	6	5
Managers	259	222
Officers	311	268
Total	<u>576</u>	<u>495</u>

#### 38. VALUATION METHOD USED TO CALCULATE PROFIT SHARE IN PROFIT SHARE BASED LIFE INSURANCES

Profit share is calculated in accordance with the collection basis in line with the daily share profit accounting plan.

#### 39. REASON FOR CONTRACTING LONG-TERM AND SHORT-TERM BORROWINGS

There are no long-term or short-term borrowings in the current period.

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007

### 40. OTHER SIGNIFICANT MATTERS MATERIALLY AFFECTING THE FINANCIAL STATEMENTS

a) Confirmations of reinsurer accounts can be completed in three or four months for quarter terms due to reinsurer transactions process in insurance sector. The confirmation of Company's reinsurer accounts has been completed for the term of the first quarter of year, and no significant discrepancy has been determined. Therefore, as of 31 December 2007, the reinsurer confirmation realized during the second quarter of the year will be completed after reconciliation with the third parties.

b) Company has clean cut agreements in autho-accident branch. Premium and loss portfolio withdrawals related to these agreements are realized by the Company as of 31 December 2005. Nonetheless, portfolio entries of the agreements whose treaty conditions for the new period are neither confirmed by the reinsurer firms nor finalized as of the balance sheet date are made in 2005. The income realized from the portfolio entries and withdrawals related with the mentioned reinsurers due to the change in the retention rates of the Company in the following period amounts to TRY 8.912.387 and was represented in other technical income in the second half of 2005. These reinsurers have confirmed the new treaty conditions in 2006. Income realized from the portfolio entries of reinsurers that confirmed the treaty conditions as of 31 December 2005 recorded in 2006 is TRY 7.425.258. In the previous years, as an accounting principle, the Company recorded the adjustments related with the change in the retention rates that is resulting from the withdrawals of the reinsurers from treaty in the subsequent period in the current period. On the other hand, as of 4 April 2007, the Company has ceased relations with Transatlantic Reinsurance Company, one of the motor and legal protection treaty reinsurer. As a result of the portfolio withdrawal, the retention of the Company has increased in motor and legal protection branches by 5% and 50%, respectively. Portfolio withdrawal processes were finalized as of 31 December 2007 and the TRY 4.867.305 income has been reflected to the income statement under technical income. Additionally, the TRY 1.017.067 income has also been reflected to the income statement under technical income due to cancelled coinsurance agreements which were already lengthened with an insurance company in the current period.

c) In 2006, the Company has performed a detailed work on the mathematical provisions that have been previously miscalculated by deducting the amount of agency commissions paid with respect to the increase in the insurance premiums of accumulated life insurance policies of the period between 1992-1996 based on the declaration of the Undersecretariat of Treasury Insurance Inspection Committee. Based on this work, the amount of commissions paid for this particular period has been determined and an additional provision in the amount of TRY 2.135.661 has been provided in the accompanying financial statements based on the methodology denominated in US dollars that has been agreed with Undersecretariat of Treasury Insurance General Directorate as of 31 December 2006. The additional provisions calculated for the valid policies have been added back to the insurees' current life fund accounts. For the invalid policies, additional outstanding claim accounts have been used and this account has been interrelated with a special fund account. As of 31 December 2007, the additional outstanding claims provision provided, netted of payments, is TRY 1.487.901.

### 41. SUBROGATION RECEIVABLES FOLLOWED UNDER THE OFF-BALANCE-SHEET ITEMS

Total balance of subrogation receivables followed under the off-balance sheet items is TRY 5.593.375 (31 December 2006 – TRY 3.895.002).

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1. Depreciation and amortization expenses of the period are as follows:

	<u>31 December 2007</u>	<u>31 December 2006</u>
Depreciation Expense	3.105.112	2.887.047

2. Rediscount and provision expense of the period:

	<u>31 December 2007</u>	<u>31 December 2006</u>
Premium Receivable Provision	6.864.460	(1.093.012)
Retirement Pay Provision	(1.383.362)	(1.139.807)
Provision for Doubtful Receivables	(2.447.992)	(1.765.855)
Accrued Expenses Provision	(1.359.786)	(1.196.761)
Income from the Securities and Affiliates that are Provided as Guarantee for Earthquake Claims Provision	(4.011.081)	(7.837.463)
PROVISION EXPENSES	<u>(2.337.761)</u>	<u>(13.032.898)</u>
Tax Provision	(12.038.058)	(5.066.767)
Discount Provision	545.423	(2.711.104)
Earthquake Claims Provision	-	(3.647.326)
Outstanding Claims Provision	(99.871.343)	(55.887.000)
Unearned Premium Provisions	(193.755.752)	(127.924.680)
Life Mathematical Reserves	(4.669.830)	(5.665.781)
Life Outstanding Indemnities Provision	(3.643.652)	(4.738.308)
Life Profit Share Provision	(4.117.515)	(6.125.971)
TOTAL	<u>(317.550.727)</u>	<u>(211.766.937)</u>
GRAND TOTAL	<u>(319.888.488)</u>	<u>(224.799.835)</u>

3. There is no finance expense for the period (2006:None).

4. There is no finance expense related with shareholders, affiliates and subsidiaries for the period (2006:None).

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

5. Purchase and sale transactions with shareholders, affiliates and subsidiaries in the current period :

	<u>31 December 2007</u>	<u>31 December 2006</u>
<u>Shareholders</u>		
H.Ö.Sabancı Holding	787.328	760.924
<u>Affiliates</u>		
Akbank T.A.Ş.	2.743.080	2.388.471
Ak Finansal Kiralama A.Ş.	8.733.830	200.259
AvivaSa Emeklilik (formerly known as Ak Emeklilik)	835.938	710.608
Akçansa	3.563.714	2.238.988
Ak Yatırım Menkul Değerler A.Ş.	320.826	232.454
Çimsa	2.600.905	2.097.812
Temsa	6.947.255	4.417.647
Tursa	290.571	247.496
Dönkasan	86.282	57.432
Yünsa	645.296	540.434

6. Rent/Interest income or expense in the current period relating the shareholders, affiliates or subsidiaries:

Rent income obtained from affiliates, AvivaSA Emeklilik A.Ş and Akbank T.A.Ş. in the current period amounts to TRY 33.818 and TRY 12.456, respectively. Rent income obtained from Hacı Omer Sabancı Holding is TRY 58.709 and TRY 20.029 rent has been paid to H.Ö. Sabancı Holding as an expense (As of 31 December 2006, rent income obtained from Akbank T.A.Ş., Ak Emeklilik A.Ş. and Hacı Omer Sabancı Holding was TRY 11.403, TRY 36.715 and TRY 63.839, respectively, and TRY 9.020 rent was paid to H.Ö. Sabancı Holding as an expense).

Additionally, interest income obtained from Akbank T.A.Ş and Akyatırım A.Ş. is TRY 22.574.966 and TRY 252, respectively (As of 31 December 2006, interest income obtained from Akbank T.A.Ş and Akyatırım A.Ş. is TRY 15.735.483 and TRY 159.444, respectively).

The Company obtained totally TRY 74.534.708 dividend income from affiliates (31 December 2006 – TRY 59.256.593). The distribution of income recognized is as follows:

6. Rent/Interest income or expense in the current period relating the shareholders, affiliates or subsidiaries (cont'd):

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>31 December 2007</u>	<u>31 December 2006</u>
Akbank T.A.Ş. Dividend Income	62.139.550	48.987.924
Akçansa Dividend Income	9.598.136	8.407.704
Çimsa Dividend Income	2.712.960	1.153.787
Yünsa Dividend Income	80.580	87.113
Temsa Dividend Income	-	616.000
Other	3.482	4.065
Total Dividend Income	<u>74.534.708</u>	<u>59.256.593</u>

Commission expense paid to shareholders, affiliates and subsidiaries in the current period is as follows:

	<u>31 December 2007</u>	<u>31 December 2006</u>
<u>Shareholders</u>		
H.Ö.Sabancı Holding	22.831	17.977
<u>Affiliates</u>		
Akbank T.A.Ş.	258.851	321.479
Temsa	698.699	392.021
Yünsa	100.874	56.267

7. The total of salary and fringe benefits provided during the year for the executives is TRY 2.145.973 (31 December 2006: TRY 1.499.603).
8. Straight line depreciation method is used for all tangible and intangible fixed assets over their restated values on the pro-rata basis.
9. Criterion for the distribution of operational expenses:

The Company determined a distribution legend based on the gross premiums and realized claims, and distributed the operational expenses regarding to this legend.

# AKSİGORTA ANONİM ŞİRKETİ

## NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

10. Previous period profit and loss and income and expenses:

	31 December 2007 TRY	31 December 2006 TRY
Released Provision for Unearned Premium (Net)	127.924.680	90.898.818
Released Outstanding Claims Provision (Net)	58.113.325	35.549.106
Released Mathematical Reserves (Net)	5.665.781	8.116.010
Released Life Outstanding Indemnities Provision (Net)	4.738.308	2.926.943
Released Life Profit Share Provision (Net)	6.125.971	11.869.775

11. Earnings per share as of the report date is as follows:

	31 December 2007 TRY	31 December 2006 TRY
Period Profit	126.534.404	79.251.218
Corporate Tax (-)	(12.038.058)	(5.066.767)
Profit after Tax	114.496.346	74.184.451
Earnings per Share TRY	0,3742	0,2424

There are no privileged shares (2006:None).

12. Distribution of new individual retirement participants and gross and net participation shares for individual and corporate clients in the current period:

None (2006:None).

13. Distribution of new individual retirement participants transferred from other insurance companies and gross and net participation shares for those individual and corporate clients in the current period:

None (2006:None).

14. Distribution of new individual retirement participants transferred from life insurance portfolio and gross and net participation shares for those individual and corporate clients in the current period:

None (2006:None).

15. Distribution of former individual retirement participants and gross and net participation shares for those individual and corporate clients in the current period:

None (2006:None).

16. Distribution of new life insurance policyholders in terms of numbers and gross and net premium as individual or group in the current period:

None (2006:None).

## AKSIGORTA ANONİM ŞİRKETİ

### NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

17. Distribution of mathematical reserves for former life insurance policyholders as an individual or group in the current period:

	31 December 2007				31 December 2006			
	Unit	Gross Premium TRY	Net Premium TRY	Mathematical Reserve TRY	Unit	Gross Premium TRY	Net Premium TRY	Mathematical Reserve TRY
Individual	1.595	164.382	142.816	5.680.451	3.250	362.355	345.697	12.343.081
Group	-	-	-	-	-	-	-	-
Total	1.595	164.382	142.816	5.680.451	3.250	362.355	345.697	12.343.081

18. Share profit distribution rate used in the current period for life insurance policyholders is 23,46% (31 December 2006 – 16,69 %).