

AKSIGORTA ANONİM ŐİRKETİ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

*Translated into English from the
Original Turkish Report*

To the Board of Directors
Aksigorta Anonim Şirketi
İstanbul

AKSIGORTA ANONİM ŞİRKETİ

INDEPENDENT AUDITORS' REPORT FOR THE PERIOD 1 JANUARY 2006 - 31 DECEMBER 2006

1. We have audited the accompanying balance sheet of Aksigorta Anonim Şirketi (the "Company") as of 31 December 2006 and the related statement of income for the year then ended. These financial statements are the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on these financial statements based on our audits.
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 Insurance Auditing Law No: 7397 applicable to insurance and reinsurance companies and principles stated in Note 11.
3. We conducted our audit in accordance with the Law No. 7397 of the Turkish Insurance Auditing and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Aksigorta A.Ş. as of 31 December 2006, and the result of its operations in accordance with the Law No. 7397 of the Turkish Insurance Auditing and accounting principles stated in Note 11.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Sibel Türker
Partner

İstanbul, 7 March 2007

Additional paragraph for English translation:

The accompanying financial statements are not intended to present the financial position and results of the operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey.

AKSİGORTA ANONİM ŞİRKETİ
DETAILED BALANCE SHEET

TRY

ASSETS			
I- Current Assets	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
A- Cash and Cash Equivalents		152.869.536	196.908.035
1- Cash		730	11.167
2- Cheques Received		0	0
3- Banks	35	156.240.505	200.914.130
4- Cheques Given and Payment Orders (-)		(3.371.699)	(4.017.262)
5- Other Cash and Cash Equivalents		0	0
B- Financial Assets and Investments with Risks on Policy Holders		67.823.395	122.592.756
1- Securities Available for Sale		30.023.498	79.386.017
2- Securities Held to Maturity		0	0
3- Securities Held for Trading		23.485.717	20.242.070
4- Loans		0	0
5- Provision for Loans (-)		0	0
6- Investments with Risks on Policy Holders		14.314.180	22.964.669
7- Equity Shares		0	0
8- Diminution in Value of Financial Securities (-)		0	0
C- Receivables From Main Operations		253.493.078	213.221.592
1- Receivables From Insurance Operations		256.635.859	215.858.097
2- Provision for Receivables From Insurance Operations (-)	30	(6.864.460)	(5.771.448)
3- Receivables From Reinsurance Operations		0	0
4- Provision for Receivables From Reinsurance Operations (-)		0	0
5- Cash Deposited For Insurance & Reinsurance Companies		27.139	27.562
6- Loans to Policyholders		0	0
7- Provision for Loans to Policyholders (-)		0	0
8- Receivables from Pension Operation		0	0
9- Doubtful Receivables From Main Operations		17.615.360	15.262.346
10- Provisions for Doubtful Receivables From Main Operations (-)		(13.920.820)	(12.154.965)
D- Due from Related Parties		11.877	11.938
1- Due from Shareholders		0	0
2- Due from Affiliates		0	0
3- Due from Subsidiaries		0	0
4- Due from Enterprises Subject to Joint Management		0	0
5- Due from Personnel		0	0
6- Due from Other Related Parties		11.877	11.938
7- Rediscount on Receivables Due from Related Parties (-)		0	0
8- Doubtful Receivables Due from Related Parties		0	0
9- Provisions for Doubtful Receivables Due from Related Parties (-)		0	0
E- Other Receivables		(2.046.963)	(337.973)
1- Leasing Receivables		0	0
2- Unearned Leasing Interest Income (-)		0	0
3- Guarantees Given		6.315	39.036
4- Other Receivables	27	1.936.997	1.760.202
5- Rediscount on Other Receivables (-)		(3.990.275)	(2.137.211)
6- Other Doubtful Receivables		0	0
7- Provisions for Other Doubtful Receivables (-)	30	0	0
F- Prepaid Expenses and Income Accruals		1.494.930	1.591.745
1- Prepaid Expenses		108.234	116.986
2- Accrued Interest and Rent Income		1.386.696	1.474.759
3- Income Accruals		0	0
4- Other Prepaid Expenses and Income Accruals		0	0
G- Other Current Assets		2.773.367	1.578.730
1- Inventories		94.990	127.952
2- Prepaid Taxes and Funds		2.203.099	1.450.778
3- Deferred Tax Assets		0	0
4- Business Advances		475.278	0
5- Advances Given to Personnel		0	0
6- Stock Count Differences		0	0
7- Other Current Assets		0	0
8- Provision for Other Current Assets (-)		0	0
I- Total Current Assets		476.419.220	535.566.823

AKSİGORTA ANONİM ŞİRKETİ
DETAILED BALANCE SHEET

TRY

ASSETS		Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
II- Non Current Assets	Note		
A- Receivables From Main Operations		0	0
1- Receivables From Insurance Operations		0	0
2- Provision for Receivables From Insurance Operations (-)		0	0
3- Receivables From Reinsurance Operations		0	0
4- Provision for Receivables From Reinsurance Operations (-)		0	0
5- Cash Deposited for Insurance & Reinsurance Companies		0	0
6- Loans to Policyholders		0	0
7- Provision for Loans to Policyholders (-)		0	0
8- Receivables From Pension Operations		0	0
9- Doubtful Receivables from Main Operations		0	0
10-Provision for Doubtful Receivables from Main Operations		0	0
B- Due from Related Parties		0	0
1- Due from Shareholders		0	0
2- Due from Affiliates		0	0
3- Due from Subsidiaries		0	0
4- Due from Enterprises Subject to Joint Management		0	0
5- Due from Personnel		0	0
6- Due from Other Related Parties		0	0
7- Rediscount on Receivables Due from Related Parties (-)		0	0
8- Doubtful Receivables Due from Related Parties		0	0
9- Provisions for Doubtful Receivables Due from Related Parties (-)		0	0
C- Other Receivables		0	0
1- Leasing Receivables		0	0
2- Unearned Leasing Interest Income (-)		0	0
3- Guarantees Given		0	0
4- Other Receivables		0	0
5- Rediscount on Other Receivables (-)		0	0
6- Other Doubtful Receivables		0	0
7- Provisions for Other Doubtful Receivables (-)		0	0
D- Financial Assets		1.572.154.837	1.448.560.382
1- Investments In Associates	25	1.395.321.898	1.431.624.071
2- Affiliates	25	191.494.416	31.407.217
3- Capital Commitments to Affiliates (-)	25	(239.584)	(281.250)
4- Subsidiaries		0	0
5- Capital Commitments to Subsidiaries (-)		0	0
6- Enterprises Subject to Joint Management		0	0
7- Capital Commitments to Enterprises Subject to Joint Management (-)		0	0
8- Financial Assets and Investments with Risks on Policy Holders		0	0
9- Other Financial Assets		0	0
10- Diminution in Value of Financial Assets (-)	25	(14.421.893)	(14.189.656)
E- Tangible Fixed Assets		47.972.717	48.421.874
1- Investment Properties	8	10.078.063	10.153.985
2- Diminution in Value for Investment Properties (-)		0	0
3- Owner Occupied Property	8	38.564.640	37.894.373
4- Machinery and Equipments		0	0
5- Furnitures and Fixtures	8	21.372.528	19.779.988
6- Vehicles	8	116.670	1.338.525
7- Other Tangible Assets (Including Leasehold Improvements)		1.830.952	1.383.081
8- Leased Tangible Fixed Assets		351.395	351.395
9- Accumulated Depreciation (-)		(24.341.531)	(22.479.473)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)	8	0	0
F- Intangible Fixed Assets		2.994.833	1.371.519
1- Rights		3.204.803	1.398.051
2- Goodwill		0	0
3- Establishment Costs		0	0
4- Research and Development Expenses		0	0
6- Other Intangible Assets		0	0
7- Accumulated Amortizations (-)		(209.970)	(26.532)
8- Advances Regarding Intangible Assets		0	0
G- Prepaid Expenses and Income Accruals		0	0
1- Prepaid Expenses		0	0
2- Income Accruals		0	0
3- Other Prepaid Expenses and Income Accruals		0	0
H- Other Non-current Assets		0	0
1- Effective Foreign Currency Accounts		0	0
2- Foreign Currency Accounts		0	0
3- Inventories		0	0
4- Prepaid Taxes and Funds		0	0
5- Deferred Tax Assets		0	0
6- Other Non-current Assets		0	0
7- Other Non-current Assets Amortization (-)		0	0
8- Provision for Other Non-current Assets (-)		0	0
II- Total Non-current Assets		1.623.122.387	1.498.353.775

AKSİGORTA ANONİM ŞİRKETİ
DETAILED BALANCE SHEET

TRY

LIABILITIES			
III- Short Term Liabilities	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
A- Borrowings		0	315.715
1- Loans to Financial Institutions			0
2- Leasing Payables		758	347.918
3- Deferred Leasing Costs (-)		(758)	(32.203)
4- Current Portion of Long Term Debts		0	0
5- Principal Installments and Interests on Issued Bonds		0	0
6- Other Financial Assets Issued		0	0
7- Value Differences of Financial Assets Issued(-)		0	0
8- Other Financial Liabilities		0	0
B- Payables From Main Operations		52.678.031	63.219.317
1- Payables Due To Insurance Operations		52.680.428	64.080.092
2- Payables Due To Reinsurance Operations		0	0
3- Cash Deposited by Insurance & Reinsurance Companies		5.997	5.659
4- Payables Due To Pension Operations		0	0
5- Payables from Other Operations		0	0
6- Rediscount on Other Payables From Main Operations (-)		(8.394)	(866.434)
C- Due to Related Parties		168.602	5.531
1- Due to Shareholders		161.144	1.899
2- Due to Affiliates		0	0
3- Due to Subsidiaries		0	0
4- Due to Enterprises Subject to Joint Management		0	0
5- Due to Personnel		7.458	3.632
6- Due to Other Related Parties		0	0
D- Other Payables		15.043.644	7.349.887
1- Guarantees and Deposits Received		0	0
2- Other Payables	27	15.043.644	7.349.887
3- Rediscount on Other Payables (-)		0	0
E- Insurance Technical Provisions		190.776.313	129.374.869
1- Provisions for Unearned Premiums - Net		127.924.680	90.898.819
2- Unexpired Risk Reserves - Net		0	0
3- Life Mathematical Provisions - Net		0	0
4- Provision for Outstanding Claims - Net		62.851.633	38.476.050
5- Provision for Bonus and Discounts - Net		0	0
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		0	0
7- Other Technical Provisions - Net		0	0
F- Taxes and Other Liabilities and Relevant Provisions		2.955.353	6.906.672
1- Taxes and Dues Payable		2.677.191	2.342.430
2- Social Security Premiums Payable		827.000	689.257
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		0	0
4- Other Taxes and Liabilities		6.491	7.675
5- Corporate Tax Payable		5.066.767	11.939.785
6- Prepaid Taxes and Other Liabilities Regarding Period Profit (-)		(5.622.096)	(8.072.475)
7- Provisions for Other Taxes and Liabilities		0	0
G- Provisions for Other Risks		0	0
1- Provision for Employment Termination Benefits		0	0
2- Pension Fund Deficit Provision		0	0
3- Provisions for Costs		0	0
H- Deferred Income and Expense Accruals		0	0
1- Deferred Income		0	0
2- Expense Accruals		0	0
3- Other Deferred Income and Expense Accruals	27	1	0
I- Other Short Term Liabilities		0	0
1- Deferred Tax Liability		0	0
2- Inventory Count Differences		0	0
3- Other Short Term Liabilities		0	0
III - Total Short Term Liabilities		261.621.943	207.171.991

AKSİGORTA ANONİM ŞİRKETİ
DETAILED BALANCE SHEET

TRY

LIABILITIES			
IV- Long Term Liabilities	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
A- Borrowings		0	0
1- Loans to Financial Institutions		0	0
2- Leasing Payables		0	0
3- Deferred Leasing Costs (-)		0	0
4- Bonds Issued		0	0
5- Other Financial Assets Issued		0	0
6- Value Differences of Financial Assets Issued(-)		0	0
7- Other Financial Liabilities		0	0
B- Payables From Main Operations		0	0
1- Payables Due To Insurance Operations		0	0
2- Payables Due To Reinsurance Operations		0	0
3- Cash Deposited by Insurance & Reinsurance Companies		0	0
4- Payables Due To Pension Operations		0	0
5- Payables from Other Operations		0	0
6- Rediscount on Other Payables From Main Operations (-)		0	0
C- Due to Related Parties		0	0
1- Due to Shareholders		0	0
2- Due to Affiliates		0	0
3- Due to Subsidiaries		0	0
4- Due to Enterprises Subject to Joint Management		0	0
5- Due to Personnel		0	0
6- Due to Other Related Parties		0	0
D- Other Payables		0	0
1- Guarantees and Deposits Received		0	0
2- Other Payables		0	0
3- Rediscount on Other Payables (-)		0	0
E- Insurance Technical Provisions		60.638.666	57.450.449
1- Provisions for Unearned Premiums - Net		0	0
2- Unexpired Risk Reserves - Net		0	0
3- Life Mathematical Provisions - Net		5.665.781	8.116.011
4- Provision for Outstanding Claims - Net		0	0
5- Provision for Bonus and Discounts - Net		0	0
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		6.085.466	11.931.808
7- Other Technical Provisions - Net	27	48.887.419	37.402.630
G- Tax and Other Liabilities to be Paid and Relevant Provisions		0	0
1- Taxes and Dues Payable		0	0
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		0	0
3- Other Liabilities and Expense Accruals		0	0
F- Provisions for Other Risks		5.196.220	4.587.504
1- Provision for Employment Termination Benefits		5.196.220	4.587.504
2- Provisions for Employee Pension Fund Deficits		0	0
H- Deferred Income and Expense Accruals		0	0
1- Deferred Income		0	0
2- Expense Accruals		0	0
3- Other Deferred Income and Expense Accruals		0	0
I- Other Long Term Liabilities		235	235
1- Deferred Tax Liability		0	0
3- Other Long Term Liabilities		235	235
IV- Total Long Term Liabilities		65.835.121	62.038.188

CAPITAL			
V- Capital	Note	Current Period 31/12/2006	Previous Period 31/12/2005
A- Paid in Capital		434.338.907	339.172.382
1- (Nominal) Capital	2	306.000.000	153.000.000
2- Unpaid Capital (-)		0	0
3- Positive Inflation Adjustment on Capital		128.338.907	186.172.382
4- Negative Inflation Adjustment on Capital (-)		0	0
B- Capital Reserves		0	95.223.247
1- Equity Share Premiums		0	0
2- Cancellation Profits of Equity Shares		0	0
3- Profit on Sale to be Transferred to Capital		0	95.223.247
4- Translation Reserves		0	0
5- Other Capital Reserves		0	0
C- Profit Reserves		1.258.468.223	1.252.974.065
1- Legal Reserves		74.929.882	67.186.493
2- Statutory Reserves		62	62
3- Extraordinary Reserves		233.788.272	218.045.923
4- Special Funds (Reserves)		0	0
5- Revaluation of Financial Assets		949.750.007	967.741.587
6- Other Profit Reserves		0	0
D- Previous Years' Profits		5.092.962	5.092.962
1- Previous Years' Profits		5.092.962	5.092.962
E- Previous Years' Losses (-)		0	0
1- Previous Years' Losses		0	0
F- Net Profit of the Period		74.184.451	72.247.765
1- Net Profit of the Period		74.184.451	72.247.765
2- Net Loss of the Period		0	0
Total Shareholders' Equity		1.772.084.543	1.764.710.419

AKSİGORTA ANONİM ŞİRKETİ
DETAILED INCOME STATEMENT

TRY

I-TECHNICAL DIVISION	Note	Audited Current Period 31.12.2006	Audited Previous Period 31/12/2005
A- Non-Life Technical Income		392.034.915	296.340.010
1- Earned Premiums (Net of Reinsurer Share)		311.664.110	211.678.827
1.1- Premiums (Net of Reinsurer Share)		348.690.762	233.928.225
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward)	2-10	(37.026.652)	(22.249.398)
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		0	0
2- Investment Income Transferred from Non-Technical Divisions		14.975.034	12.972.502
3- Other Technical Income (Net of Reinsurer Share)	27	65.395.771	71.688.681
B- Non-Life Technical Expense (-)		(368.461.833)	(266.906.896)
1- Realized Claims (Net of Reinsurer Share)		(226.444.778)	(151.111.769)
1.1- Claims Paid (Net of Reinsurer Share)		(206.106.884)	(139.345.612)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward)	2-10	(20.337.894)	(11.766.157)
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward)		0	0
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2	(3.647.326)	(2.814.829)
4- Operating Expenses (-)		(138.369.729)	(112.980.298)
C- Non Life Technical Profit (A-B)		23.573.082	29.433.114
D- Life Technical Income		3.717.837	8.173.838
1- Earned Premiums (Net of Reinsurer Share)		1.145.457	2.308.208
1.1- Premiums (Net of Reinsurer Share)		1.144.667	2.305.765
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward)		790	2.443
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		0	0
2- Life Branch Investment Income		2.318.305	5.471.904
3- Accrued (Unrealized) Income from Investments		0	0
4-Other Technical Income (Net of Reinsurer Share)		254.075	393.726
E- Life Technical Expense		(6.336.320)	(8.707.950)
1- Realized Claims (Net of Reinsurer Share)		(14.087.087)	(27.213.147)
1.1- Claims Paid (Net of Reinsurer Share)		(12.275.722)	(26.193.448)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward)		(1.811.365)	(1.019.699)
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward)		0	0
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		2.450.229	5.090.692
4- Changes in Reserves for Life Insurance Policies Including Investment Risk		5.743.804	14.001.575
5- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0
6- Operating Expenses (-)		(327.350)	(313.474)
7- Investment Expenses (-)		0	0
8- Accrued (Unrealized) Losses from Investments (-)		0	0
9- Investment Income Transferred to Non Technical Divisions (-)		(115.916)	(273.596)
F- Life Technical Profit (D-E)		(2.618.483)	(534.112)
G- Individual Retirement Technical Income		0	0
1- Fund Management Fee		0	0
2- Management Fee Deduction		0	0
3- Initial Contribution Fee		0	0
4- Management Fee In Case Of Temporary Suspension		0	0
5- Withholding tax		0	0
6- Increase in Market Value of Capital Commitment Advances		0	0
7-Other Technical Income		0	0
H- Individual Retirement Technical Expense		0	0
1- Fund Management Expenses (-)		0	0
2- Decrease in Market Value of Capital Commitment Advances (-)		0	0
3- Operating Expenses (-)		0	0
4- Other Technical Expense (-)		0	0
I- Individual Retirement Technical Profit (G-H)		0	0

AKSİGORTA ANONİM ŞİRKETİ
DETAILED INCOME STATEMENT

TRY

II- NON TECHNICAL DIVISION	Note	Audited Current Period 31.12.2006	Audited Previous Period 31/12/2005
C- Non Life Technical Profit		23.573.082	29.433.114
F- Life Technical Profit		(2.618.483)	(534.112)
I- Individual Retirement Technical Profit		0	0
J- Total Technical Profit (C+F+I)		20.954.599	28.899.002
K- Investment Income		98.865.222	92.392.147
1- Income From Financial Investment		25.036.856	30.861.323
2- Income from Sales of Financial Assets		747.401	831.460
3- Revaluation of Financial Assets		5.902.326	8.753.749
4- Foreign Exchange Gains		7.488.278	3.138.268
5- Dividend Income from Participations		59.256.593	48.237.699
6- Income from Affiliated Companies		0	0
7- Real Estate Income		317.852	296.052
8- Income from Derivative Products		0	0
9- Other Investments		0	0
10- Investment Income transferred from Life Technical Division		115.916	273.596
L- Investment Expenses (-)		(24.053.066)	(19.706.708)
1- Investment Management Expenses (including interest) (-)		0	0
2- Valuation Allowance of Investments (-)		0	0
3- Losses On Sales of Investments (-)		0	0
4- Investment Income Transferred to Life Technical Division (-)		(14.975.034)	(12.972.502)
5- Losses from Derivative Products (-)		0	0
6- Foreign Exchange Losses (-)		(6.190.985)	(3.864.853)
7- Depreciation Expenses (-)	1	(2.887.047)	(2.869.353)
8- Other Investment Expenses (-)		0	0
M- Other Income and Expenses (+/-)		(16.515.537)	(17.396.891)
1- Reserves (Provisions) account (+/-)	2	(13.032.898)	(14.736.999)
2- Rediscount account (+/-)	2	(2.711.104)	471.296
3- Mandatory Earthquake Insurance Account (+/-)		4.630	759.356
4- Inflation Adjustment Account (+/-)		0	0
5- Deferred Tax Asset Accounts(+/-)		0	0
6- Deferred Tax Expense Accounts (+/-)		0	0
7- Other Income and Revenues		1.374.479	1.198.070
8- Other Expense and Losses (-)		(2.150.644)	(5.088.614)
9- Prior Period Income		0	0
10- Prior Period Losses (-)		0	0
N- Net Profit / (Loss)		74.184.451	72.247.765
1- Profit /(Loss) Before Tax		79.251.218	84.187.550
2- Taxes Provisions (-)	2	(5.066.767)	(11.939.785)
3- Net Profit (Loss) after Tax		74.184.451	72.247.765
4- Inflation Adjustment Account (+/-)		0	0

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

1. OPERATIONS OF THE COMPANY

Aksigorta Anonim Şirketi (the “Company”) registered on 25 April 1960 in Istanbul, 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 headquarters, 10 regional offices, 4 of which located in Istanbul, 1 in Adana, Ankara, Bursa, Ege, Karadeniz, Akdeniz and 3 regional representative offices in Denizli, Trabzon and Diyarbakır. Starting from 1 May 2006, the Company’s regional representative office in Antalya began to operate as the Akdeniz regional office.

2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE

	31 December 2006		31 December 2005	
	Share Amount (TRY)	Share Rate %	Share Amount (TRY)	Share Rate %
H.Ömer Sabancı Holding A.Ş.	189.658.800	61,98	94.829.400	61,98
Other	116.341.200	38,02	58.170.600	38,02
	<u>306.000.000</u>	<u>100,00</u>	<u>153.000.000</u>	<u>100,00</u>

3. PREFERENCE SHARES

None. Shared capital of the Company is composed of 30.600.000.000 shares TRY 1 each. These shares are represented by 10th set of equity shares (31 December 2005: 15.300.000.000 shares TRY 1 each).

4. REGISTERED CAPITAL LIMIT

Registered capital amount as of 31 December 2006 is TRY 500.000.000 (31 December 2005: TRY 500.000.000).

5. CAPITAL INCREASES DURING YEAR

The Company decided to increase its capital from TRY 153.000.000 to TRY 306.000.000 by the decision taken in the general assembly held on 4 January, 2006. The required authorization in respect of the capital increase has been given by means of the Capital Markets Board’s written permission numbered 12/137 on 23 February, 2006 and the distribution of 100% of bonus shares to shareholders as of 10 March, 2006 has been decided in the general assembly held on 1 March, 2006. Increased capital was registered on 1 March, 2006 and published in the Trade Registry Gazette on 6 March, 2006. TRY 95.166.524 of the increased capital is composed of subsidiary sale income which is followed under the “profit on sale to be transferred to capital” account in equity in the Company’s financial statements and TRY 57.833.476 of the increased capital is composed of the inflation differences attributable to the capital.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 year.

8. MOVEMENTS OF TANGIBLE FIXED ASSETS DURING THE CURRENT PERIOD

a) Cost of purchased or acquired fixed assets TRY 2.715.595.

(31 December 2005 – TRY 4.805.651)

b) Cost of purchased or acquired intangible assets: TRY 1.806.752.

(31 December 2005 – TRY 1.398.050)

c) Cost of fixed assets sold: TRY 1.302.694.

(31 December 2005 – TRY 919.771)

d) Revaluation of tangible fixed assets during the year: None.

e) The quality, total amount, beginning, 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 (31 December 2005 – TRY 436.176)

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 2006				31 December 2005			
	Receivables		Payables		Receivables		Payables	
	Trade TRY	Non Trade TRY	Trade TRY	Non Trade TRY	Trade TRY	Non Trade TRY	Trade TRY	Non Trade TRY
1) Shareholders								
Hacı Ömer Sabancı Holding A.Ş.	99.814	-	-	-	86.371	-	-	-
2) Affiliates								
Ak Emeklilik A.Ş.	42.460	-	-	-	33.328	-	-	-
Akçansa	51.508	-	-	-	497.642	-	-	-
Çimsa	169.936	-	-	-	5.664	-	-	-
Dönkasan	2.924	-	-	-	52.167	-	-	-
Akbank T.A.Ş.	376.160	-	-	-	743.166	-	-	-
Ak Finansal Kiralama A.Ş.	-	-	-	-	93.938	-	-	-
Temsa Makine San. ve Tic. A.Ş.	191.037	-	-	-	206.209	-	-	-
Yünsa Yünlü San. Ve Tic. A.Ş.	61.429	-	-	-	27.351	-	-	-
Tursa Sabancı Turizm İşl. A.Ş.	6.056	-	-	-	17.403	-	-	-
Ak Yatırım Menkul A.Ş.	262	-	-	-	339	-	-	-
	1.001.586	-	-	-	1.763.578	-	-	-

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

10. BALANCES WITH SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES (cont'd)

Total deposits of the Company at Akbank T.A.Ş. branches is TRY 156.220.232 as of 31 December 2006 and TRY 122.765.037 of this balance is composed of demand deposits. The accrued interest amount of time deposits is TRY 1.653.769. Besides, the reverse repo transactions amounting to TRY 3.135.660 stated as trading securities take place in Akbank branches as of 31 December 2006. The accrued interest amount of reverse repo as of the balance sheet date is TRY 3.943 (31 December 2005: Total deposit in Akbank T.A.Ş branches is TRY 200.914.130 and TRY 179.564.512 of this balance is composed of time deposits. The accrued interest amount of time deposit is TRY 1.495.582 as of 31 December 2005).

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 on 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.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

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 market value and the internal rate of return should be recorded to equity.

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.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

b. Technical Provisions

Unearned premium reserves, outstanding claim provision, life mathematical and life profit share provision and reinsurer's share of these provisions and earthquake loss provisions are included 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. 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.

Provision for outstanding claims are provided for the outstanding claims reported at period end. Any difference regarding to the claim 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.

The Company has been performed a review of its internal control procedures in the current period. In connection with this review, a detailed work has been performed on outstanding claim provisions and an additional provision has been provided in the accompanying financial statements retention amount of which is TRY 3.007.224.

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 last 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 claim provisions. 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 recovery and residual 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 2006 amounts to TRY 6.771.343. (31 December 2005 – TRY 4.571.763)

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

b. Technical Provisions (cont'd)

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 2006, the average of last five years’ adequacy ratio calculated by the Company is 103,27% excluding the life insurance. (31 December 2005: 101,46%)

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 loss 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 loss 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 loss 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 15th year.” The Company recognized the earthquake claim provision in the accompanying financial statements in accordance with the related communiqué.

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.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

c. Recovery Income Accruals

The Undersecretariat of the Treasury made some disclosures on accounting for recovery 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 recovery 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 recovery 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 recovery 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 recovery receivable amount from the insurance companies as TRY 7.487.721 as of 31 December 2006 (31 December 2005 - TRY 6.394.316) and the retention amount of this recovery receivables after the reinsurance share of TRY 2.715.551 (31 December 2005 - TRY 3.021.212) as TRY 4.772.170 (31 December 2005 - TRY 3.373.104). The Company began this application as of 31 December 2005. The application has an effect on the other technical income account by the amount of TRY 1.399.066 as of 31 December 2006. Moreover, the Company presents TRY 11.042.803 (31 December 2005 - TRY 9.077.776) of recovery receivable which is the retained amount out of TRY 25.045.965 (31 December 2005 - TRY 23.758.581) worth of recovery receivables and TRY 14.003.162 (31 December 2005 - TRY 14.680.805) reinsurance share and all of which is arising from the litigations in and before 2005 as doubtful receivables from main operations and technical income and records provision for the whole amount of TRY 11.042.803 and it is shown under the provision expenses. In the same way, TRY 2.176.965 (31 December 2005 - TRY 1.570.624) of retained recovery payable out of TRY 3.666.772 (31 December 2005 - TRY 2.927.378) worth of recovery payables to the insurance firms and TRY 1.489.807 (31 December 2005 - TRY 1.356.754) reinsurer share are recorded under payables from the main operations and other technical expenses accounts.

d. Premium Income and Claims

Premium income represents premiums on policies written during the year. 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 loss provisions are 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.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

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 provisions for due premiums from policyholders and agents which can not be collected in two months period. The Company provided premium provision amounting to TRY 6.864.460 (31 December 2005 - TRY 5.771.448) for those due premiums as of 31 December 2006.

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 2006, the amount of doubtful receivables under legal and management follow up is TRY 6.572.557. The related provision provided for these receivables as of 31 December 2006 is TRY 2.878.017 (31 December 2005 - TRY 3.077.188) after deducting the guarantees obtained in return of those receivables.

In the accompanying financial statements, TRY 43.049.293 (31 December 2005 - TRY 28.006.251) 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 new chart of accounts. Similarly, TRY 21.149.294 (31 December 2005 - TRY 27.829.194) of insurance payables included in liability accounts also consist of payables to the reinsurance and insurance companies.

f. Discount of Receivables and Payables

Receivables and payables are recorded with their book values in the financial statements. Notes receivables and payables and receivables and payables with the due date of three months or more are re-discounted. As of the balance sheet date, a discount rate of 29% (31 December 2005 - 25%) is used to re-discount notes receivables and payables and receivables and payables in TRY. The rates used to re-discount notes receivables and payables and receivables and payables in foreign currencies change depending on the currency type.

g. Tangible Fixed Assets

Property, plant and equipment carried at indexed historical cost are restated for the periods between the acquisition date of fixed assets until 31 December 2004. Property, plant and equipment, 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 & Equipments	10-20
Intangible Assets	10

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

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 5.196.220 (31 December 2005 - TRY 4.587.504). Total employee termination expense for the year 2006 is TRY 1.139.807 (31 December 2005 - TRY 973.787).

j. Dividend Income

The Company recognizes its dividend income on financial assets on accrual base and associates with the income statement on a pro-rata basis. In the accompanying financial statements dividend income for the year 2006 is stated as TRY 59.256.593. (2005 – TRY 48.237.699).

k. Incentive Commissions

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 base and associates with the monthly income statement 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.

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

m. Clean- Cut Applications

The Company has clean cut agreements in motor 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 is represented in other technical income at 2nd 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 the balance sheet date recorded in 2006 is TRY 7.425.258. In 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.

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

The effective tax rates are as follows: In 2006 20%, in 2005 30%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005 - 30%). 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.

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

n. Taxation (cont'd)

Corporate Tax (cont'd)

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. 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 23 July 2006. 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 apply 20% tax rate since it does not use the investment incentive.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 REASONS FOR THESE (cont'd)

- n. Taxation (cont'd)

Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the 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, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, no further inflation adjustment made to the Company's statutory financial statements in 2005.

- o. Comparative Information

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

12. SUBSEQUENT EVENTS

Retirement Pay Provision ceiling is TRY 1.960,69 as of 1 January 2007.

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 39.684.098. The total amount of claims filed by the Company to third parties 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.(31 December 2005: Total amount of claims filed against the Company as of the court date is TRY 27.036.458. In addition to this, the total amount of claims brought by the Company is TRY 23.738.581, and TRY 6.130.885 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 98.606.661 and total guarantee obligation is TRY 91.352.615 (31 December 2005 - TRY 94.796.228 and TRY 84.380.023, respectively).

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

16. INSURANCE ON ASSETS

31 December 2006

<u>Type of Asset</u>	<u>Net Book Value</u>	<u>Insurance Coverage</u>	<u>Coverage Rate</u> %
Tangible Fixed Assets	47.972.717	173.031.230	361

31 December 2005

<u>Type of Asset</u>	<u>Net Book Value</u>	<u>Insurance Coverage</u>	<u>Coverage Rate</u> %
Tangible Fixed Assets	48.421.874	115.402.859	238

17. GUARANTEES AND MORTGAGES RECEIVED

As of 31 December 2006, total receivables from the insurance activities of the Company after deducting the recovery receivables is TRY 253.523.203 (31 December 2005 - TRY 212.484.993). Details of the guarantees received related with these receivables are shown below:

<u>Type of Guarantees</u>	31 December 2006 TRY	31 December 2005 TRY
Letters of Guarantee	14.165.616	9.428.900
Treasury Bills and Stocks	253.091	189.320
Real Estate Mortgage	72.429.179	58.514.543
Other	542.025	457.086
	<u>87.389.911</u>	<u>68.589.849</u>

18. COMMITMENT & CONTINGENT LIABILITIES

<u>Commitment Type</u>	31 December 2006 TRY	31 December 2005 TRY
Letter of Guarantee	3.103.852	22.375.972
Other commitments	565.250	-
	<u>3.669.102</u>	<u>22.375.972</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 2006		31 December 2005	
	Required Blockage TRY	Current Blockage TRY	Required Blockage TRY	Current Blockage TRY
None Life	77.019.755	83.538.079	61.814.083	68.441.167
Government Bond		30.058.727		25.171.232

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

Common Stock		14.969.475		12.362.817
Real – estate		38.509.877		30.907.118
Life	14.332.860	15.068.582	22.565.940	26.355.061
Government Bond		12.192.722		22.976.149
Common Stock		2.875.860		3.378.912
TOTAL	91.352.615	98.606.661	84.380.023	94.796.228

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 2005	6.483	19.985.785
Additions	-	4.149.049
Disposals	(3.250)	(12.343.081)
31 December 2006	3.233	11.791.753

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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

	Number	Mathematical Reserve TRY
31 December 2004	15.146	39.078.051
Addition	-	8.813.821
Disposal	(8.663)	(27.906.087)
31 December 2005	6.483	19.985.785

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

Branch	31 December 2006	31 December 2005
	TRY	TRY
Fire	133.440.219.239	115.065.837.483
Commodity	110.886.379.852	147.736.840.789
Security	789.058.891	518.739.680
Hull	552.709.028	527.617.528
Carriers Liability	38.927.093.788	627.723.147.427
Traffic	854.986.428.150	14.435.266.633
Motorown damage	13.198.849.863	11.028.808.155
Bus Compulsory TPL	19.204.731.080	29.204.010.880
Employers liability	661.744.903	621.052.804
Third party liability	3.495.791.680	1.069.962.629
Plate-Glass Insurance	193.441.572	148.238.080
Theft	21.580.000.386	19.024.188.241
Compulsory TPL for hazardous items	3.497.977.119	2.862.415.384
Aircraft-Hull	1.186.062.661	922.518.539
Personal Accident	30.805.777.701	20.022.807.784
Legal liability	1.994.032.191	904.409.323
Machinery Breaking Down	14.807.451.794	13.344.560.767
Erection All Risk	9.524.179.489	8.123.179.939
Hail	104.429.351	112.130.910
Total	1.259.836.358.738	1.013.395.732.975

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.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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

None.

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

Investments in Associates

<i>Listed</i>	31 December 2006			31 December 2005		
	Inflation Adjusted Cost Value TRY	Market Value TRY	Book Value TRY	Inflation Adjusted Cost Value TRY	Market Value TRY	Book Value TRY
Akbank T.A.Ş.	384.345.131	1.245.221.605	1.245.221.605	371.105.285	1.298.846.867	1.298.846.867
Akçansa Çimento	93.839.016	120.942.809	120.942.809	92.139.639	102.056.192	102.056.192
Çimsa	1.314.806	28.221.013	28.221.013	1.314.806	29.780.185	29.780.185
Yünsa	1.185.963	936.471	936.471	1.185.963	940.827	940.827
Total	480.684.916	1.395.321.898	1.395.321.898	465.745.693	1.431.624.071	1.431.624.071

Affiliates

<i>Unlisted</i>	31 December 2006		31 December 2005	
	Inflation Adjusted Cost Value TRY	Book Value TRY	Inflation Adjusted Cost Value TRY	Book Value TRY
Ak Emeklilik A.Ş. (*)	134.144.189	169.271.898	9.144.189	9.144.189
Tursa Sabancı Turizm ve Yatırım İşl.A.Ş.	18.681.633	4.259.741	18.681.633	4.491.977
Dönkasan	541	541	541	541
Ak Finansal Kiralama A.Ş.	3.490	3.490	2.335	2.335
Akyatırım Menkul Değerler	16.505	16.505	16.505	16.505
Tarsim A.Ş.	333.333	333.333	375.000	375.000
Tarsim A.Ş. - sermaye taahhütleri (-)	(239.583)	(239.583)	(281.250)	(281.250)
Temsa	3.187.014	3.187.014	3.187.014	3.187.014
Total	156.127.122	176.832.939	31.125.967	16.936.311

Provision for diminution in value of financial assets

	31 December 2006	31 December 2005
Tursa Sabancı Turizm ve Yatırım İşl.A.Ş.	(14.421.892)	(14.189.656)

(*) By the 10 March 2006 dated and 2006/265 numbered authorization of the Undersecretariat of Treasury, the shares of Ak Emeklilik A.Ş., pertaining to Akbank T.A.Ş., having a nominal value of TRY 14.681.511,99 (73,41%) were sold in consideration of TRY 125.000.000 on 10 March 2006. The Company's share of participation in Ak Emeklilik is increased from 26% to 99.41% in 2006. According to the independent valuation performed during the sale of the shares to determine the fair value of the shares purchased, TRY 35.127.709 of the market value difference which corresponded to the 26% previously retained Company shares is recognized respectively under the affiliates account and revaluation of financial assets account in shareholders' equity.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

25. DISCLOSURE OF THE MARKET VALUE OF INVESTMENT SECURITIES PRESENTED AT COST VALUE ON THE BALANCE SHEET, THE COST VALUE OF MARKETABLE SECURITIES AND FINANCIAL LONG TERM ASSETS PRESENTED AT MARKET VALUE ON THE BALANCE SHEET (cont'd)

Marketable Securities Available for Sale

	31 December 2006		31 December 2005	
	Cost Value	Market Value	Cost Value	Market Value
	TRY	TRY	TRY	TRY
Government Bonds	39.040.155	42.222.764	96.989.805	102.350.687

As of 31 December 2006, TRY 42.251.448 of government bonds are given as collateral on behalf of the Undersecretariat of the Treasury. (31 December 2005: TRY 48.130.062)

Marketable Securities Held for Trading

	31 December 2006		31 December 2005	
	Cost Value	Market Value	Cost Value	Market Value
	TRY	TRY	TRY	TRY
B type Mutual Funds	8.047.512	22.464.971	8.047.512	20.242.069
Reverse Repo	1.020.746	1.020.746	-	-
Reverse Repo (Additional Life Repo)	2.114.914	2.114.914	-	-
Total	11.183.172	25.600.631	8.047.512	20.242.069
Grand Total	50.223.327	67.823.395	105.037.317	122.592.756

26. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

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

27. DETAILS OF "OTHER" BALANCES IN FINANCIAL STATEMENTS

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

	31 December 2006	31 December 2005
	TRY	TRY
<u>Other Receivables</u>		
Receivables of Insurance for Natural Disasters	1.377.419	1.365.634
Others	559.578	394.568
Total	1.936.997	1.760.202

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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

<u>Other Tangible Assets</u>	31 December 2006 TRY	31 December 2005 TRY
Leasehold Improvements	1.830.952	1.383.080

<u>Other Liabilities</u>	31 December 2006 TRY	31 December 2005 TRY
Payables to Suppliers	3.526.839	2.134.650
Payables to Contracted Service	9.316.343	3.348.405
Payables of Insurance for Natural Disasters	1.637.554	1.364.776
Recovery payables reinsurer share	-	-
Other	562.908	502.056
Total	15.043.644	7.349.887

<u>Other Technical Provisions</u>	31 December 2006 TRY	31 December 2005 TRY
Provision for Earthquake Claims	48.887.419	37.402.629

<u>Other Technical Income</u>	31 December 2006 TRY	31 December 2005 TRY
Reinsurance commissions received	54.046.762	49.137.296
Loss-premium portfolio withdrawal	7.425.258	8.912.387
Accrued recovery receivables	3.364.093	12.450.880
Other	559.658	1.188.118
Total	65.395.771	71.688.681

<u>Changes in Other Technical Provisions</u>	31 December 2006 TRY	31 December 2005 TRY
Provision for Earthquake Claims	3.647.326	2.814.829

<u>Other Expenses and Loss</u>	31 December 2006 TRY	31 December 2005 TRY
Doubtful Receivables from Agencies	1.201.513	4.722.293
Other	949.131	366.321
Total	2.150.644	5.088.614

AKSIGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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 2.878.017 for doubtful receivables amounting to TRY 6.572.557. (31 December 2005: TRY 3.077.188). Moreover, the Company recorded TRY 11.042.804 of provision for the recovery receivables that are subject to litigation and under its retention. (31 December 2005 - TRY 9.077.776)

Also, TRY 6.864.460 of premium provision was provided concerning the premium receivables overdue for 2 months. (31 December 2005 – TRY 5.771.448)

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

31. EQUITY INVESTMENTS

<u>Investment in associates and affiliates</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>Independently Audited</u>	<u>Independent Auditors Report</u>
Ak Emeklilik A.Ş.	169.271.898	99,41	31.12.2006	11.013.316	10.269.758	IFRS	No	(*)
Tursa Sabancı Tur. Ve Yat. İ.Şl.A.Ş.	4.259.741	2,57	31.12.2006	1.997.991	(4.670.793)	IFRS	No	(*)
Akbank T.A.Ş.	1.245.221.605	6,62	31.12.2006	1.936.562.000	1.600.192.000	BRSA	Yes	Unqualified
Akçansa Çimento	120.942.809	7,47	30.09.2006	150.523.226	133.744.869	CMB	No	(*)
Çimsa	28.221.013	2,57	30.09.2006	116.588.298	90.002.097	CMB	No	(*)
Yünsa	936.471	1,49	30.09.2006	13.092.115	9.736.852	CMB	No	(*)
Temsa	3.187.014	2,75	30.09.2006	49.432.526	39.980.403	TCC	No	(*)
Ak Finansal Kiralama A.Ş.	3.490	0,005	31.12.2006	20.728.291	20.728.291	IFRS	No	(*)
Akyatırım Menkul Değerler	16.505	0,02	31.12.2006	26.225.000	19.860.000	IFRS	No	(*)
Dönkasan	541	0,02	31.12.2006	3.136.445	2.504.443	TCC	No	(*)
Tarsim A.Ş.	333.333	5,55	31.12.2006	804.235	645.890	TCC	No	(*)
Tarsim A.Ş. sermaye taahhütleri (-)	(239.583)							
TOTAL	1.572.154.837							

CMB: The Captial Markets Board TCC: Turkish Commercial Code BRSA: Banking Regulation and Supervision Agency

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

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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

TRY 26.479.691 of bonus shares were purchased from Akbank T.A.Ş. in the current period. TRY 13.239.845 of this amount is consisted of the capital restatement differences of Akbank T.A.Ş. and since the related amount is followed in the restated cost of Akbank T.A.Ş. investment, it is not recognized in the financial statements of the Company. The remaining amount of TRY 13.239.845 is recognized in the income statement using the pro-rata basis. Also, bonus shares amounting to TRY 1.886.881 were purchased from Akçansa Çimento A.Ş. TRY 167.505 of this amount is consisted of the capital restatement differences of Akçansa Çimento A.Ş. and since the related amount is followed in the restated cost, it is not recognized in the financial statements of the Company. Bonus shares amounting to TRY 1.155 were purchased from Ak Finansal Kiralama and this amount is recognized in cost. (During 31 December 2005, bonus shares amounting to TRY 19.860.044 were purchased from Akbank T.A.Ş. (215 units of 21th set). TRY 9.930.022 of the related amount is consisted of the capital restatement differences of Akbank T.A.Ş. and since the related amount is followed in the restated cost of Akbank T.A.Ş. investment, it is not recognized in the financials. The remaining amount of TRY 9.930.022 was recognized using the pro-rata basis).

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

Since, the classification and accounting for financial assets "available for sale" have been applied after 1 January 2005, increase in value for the related assets amounts to TRY 949.750.007 in the accompanying financial statements. (31 December 2005–TRY 967.741.587).

<u>Year</u>	<u>TRY</u>
31 December 2006	949.750.007
31 December 2005	967.741.587
31 December 2004	-

35. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

Foreign Currency Receivables

Banks

	31 December 2006			31 December 2005		
	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>
USD	1.701.076	1,4056	2.391.032	179.494	1,3418	240.845
CHF	9.145	1,1503	10.520	2.417	1,0188	2.463
EUR	795.396	1,8515	1.472.675	216.606	1,5875	343.862
GBP	7.065	2,7569	19.478	4.064	2,3121	9.396
JPY	293.609	0,0118	3.464	293.609	0,0114	3.347
			<u>3.897.169</u>			<u>599.913</u>

Foreign Currency Receivables / Payables

	31 December 2006 (Receivable)			31 December 2005 (Payable)		
	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>	<u>Currency Amount</u>	<u>Rate</u>	<u>TRY Amount</u>
USD	1.415.820	1.4124	1.999.704	442.314	1,3483	531.685

(*)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 incentives.

37. PERSONNEL STRUCTURE

	31 December 2006	31 December 2005
Senior Managers	5	6
Managers	222	200
Officers	268	245
Other	-	11
Total	<u>495</u>	<u>462</u>

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE BALANCE SHEET FOR THE PERIOD ENDED 31 DECEMBER 2006

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.

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 third quarter of year and no significant discrepancy has been determined. Therefore, reinsurer confirmation realized during the fourth quarter of the year ended 31 December 2006 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 is 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 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 reinsures from treaty in the subsequent period 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 Inspection Committee. 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. The Company has started to inform its right holders about this application.

41. RECOVERY RECEIVABLES FOLLOWED UNDER THE OFF-BALANCE-SHEET ITEMS

Total balance of recovery receivables followed under the off-balance sheet items is TRY 3.895.002 (31 December 2005 – TRY 6.573.729).

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2006

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

	2006 TRY	2005 TRY
Normal Depreciation Expense	2.887.047	2.869.353

2. Rediscount and provision expense of the period:

	2006 TRY	2005 TRY
Premium Receivable Provision	1.093.012	2.987.244
Retirement Pay Provision	1.139.807	973.787
Provision for Doubtful Receivables	1.765.855	5.806.331
Accrued Expenses Provision	1.196.761	950.386
Income from the securities and affiliates that are provided as guarantee for Earthquake Claim Provision	7.837.463	4.019.251
PROVISION EXPENSES	13.032.898	14.736.999
Tax Provision	5.066.767	11.939.785
Provision for rediscount	2.711.104	(471.296)
Earthquake Claim Provision	3.647.326	2.814.829
Outstanding Claim Provision	55.887.000	35.549.106
Unearned Premium Provisions	127.924.680	90.898.819
Life Mathematical Reserves	5.665.781	8.116.011
Life Outstanding Indemnities Provision	4.738.308	2.926.944
Life Profit Share Provision	6.125.971	11.869.775
TOTAL	211.766.937	163.643.970
GRAND TOTAL	224.799.835	178.380.969

3. Finance costs of the period:

	2006 TRY	2005 TRY
a) Directly expensed:	-	7.960

4. There is no finance expense related with shareholders, affiliates and subsidiaries for the period.

AKSİGORTA ANONİM ŞİRKETİ

NOTES TO THE INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2006

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

	Premiums Received 2006 TRY	Premiums Received 2005 TRY
<u>Shareholders</u>		
H.Ö.Sabancı Holding	760.924	628.839
<u>Affiliates</u>		
Akbank T.A.Ş.	2.388.471	1.781.169
Ak Finansal Kiralama A.Ş.	200.259	611.270
Ak Emeklilik	710.608	576.545
Akçansa	2.238.988	2.001.488
Ak Yatırım Menkul Değerler A.Ş.	232.454	213.901
Çimsa	2.097.812	1.461.200
Temsa	4.417.647	2.690.289
Tursa	247.496	193.000
Dönkasan	57.432	23.539
Yünsa	540.434	436.076

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

Rent expense paid to Hacı Ömer Sabancı Holding (one of their shareholder) in the current period is TRY 9.058. Rent income obtained from affiliates, Ak Emeklilik A.Ş and Akbank T.A.Ş. in the current period amounts to TRY 36.715 and TRY 11.403, respectively. Rent income obtained from Hacı Omer Sabancı Holding is TRY 63.839. (As of 31 December 2005 TRY 9.020 rent expense paid to H.Ö. Sabancı Holding and TRY 51.039 obtained as a rent income, and rent income obtained from Ak Emeklilik A.Ş. and Akbank T.A.Ş. is TRY 32.335 and TRY 10.651, respectively). Additionally, interest income obtained from Akbank T.A.Ş and Akyatırım A.Ş. is TRY 15.735.483 and TRY 159.444 respectively. (As of 31 December 2005, interest income obtained from Akbank T.A.Ş and Akyatırım A.Ş. is TRY 19.440.462 and TRY 280.505 respectively.)

The Company obtained totally TRY 59.256.593 dividend income from affiliates (31 Decemeber 2005 – TRY 48.237.699). The distribution of income recognized as of 31 December 2006 is as follows:

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NOTES TO THE INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2006

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

	2006 TRY	2005 TRY
Akbank T.A.Ş. Dividend Income	48.987.924	43.072.897
Akçansa Dividend Income	8.407.704	3.908.005
Çimsa Dividend Income	1.153.787	1.216.154
Yünsa Dividend Income	87.113	40.508
Temsa Dividend Income	616.000	-
Other	4.065	135
Total Dividend Income	59.256.593	48.237.699

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

	2006 TRY	2005 TRY
<u>Shareholders</u>		
H.Ö.Sabancı holding	17.977	10.154
<u>Affiliates</u>		
Akbank T.A.Ş.	321.479	197.834
Çimsa	-	66.867
Temsa	392.021	310.246
Yünsa	56.267	55.806

7. The total of salary and fringe benefits provided during the year for the executives is TRY 1.499.603 (31 December 2005: - TRY 886.134)
8. Straight line depreciation method is used for all tangible and intangible fixed assets over their restated values on the pro-rata basis.

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NOTES TO THE INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2006

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.

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

	2006 TRY	2005 TRY
Released Provision for Unearned Premium (Net)	90.898.818	68.651.864
Released Outstanding Claim Provision (Net)	35.549.106	23.782.950
Released Mathematical Reserves (Net)	8.116.010	13.206.702
Released Life Profit Share Provision (Net)	11.869.775	25.871.349
Released Life Outstanding Indemnities Provision (Net)	2.926.943	1.907.245

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

	2006 TRY	2005 TRY
Period Profit	79.251.218	84.187.550
Corporate Tax (-)	5.066.767	11.939.785
Profit after Tax	74.184.451	72.247.765
Earnings per Share TRY	0,02424	0,0472

There are no privileged shares.

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

None.

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

None.

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

None.

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NOTES TO THE INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2006

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

None.

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

None.

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

	31 December 2006				31 December 2005			
	Unit	Gross Premium TRY	Net Premium TRY	Mathematical Reserve TRY	Unit	Gross Premium TRY	Net Premium TRY	Mathematical Reserve TRY
Individual	3.250	362.355	345.697	12.343.081	8.663	883.006	852.123	27.906.087
Group	-	-	-	-	-	-	-	-
Total	3.250	362.355	345.697	12.343.081	8.663	883.006	852.123	27.906.087

18. Share profit distribution rate used in the current period for life insurance policyholders is 16,69% (31 December 2005 – 19,55%.)