

The Power of Change

2012 Annual Report



AKSigorta

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A company oriented to growth and the future...

Aksigorta maintained its vigorous performance in 2012. Seeking to bring a new dimension to the Turkish insurance industry by combining the strength garnered from more than 50 years of experience in the local market with Ageas's 180 years of global experience, Aksigorta continues to provide its customers with specific solutions through its customer-oriented and innovative service approach.

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The most recognized and reliable brand in the Turkish Insurance Market...

Continuing to build upon its strong brand recognition and market value, Aksigorta's diversified range of products has allowed it to respond proactively to market needs while its ability to anticipate the future has ensured a continuity of its value creation despite the difficult market conditions. In the "Turkey's Most Valuable 100 Brands" survey conducted by the British consultancy firm, Brand Finance for Capital Magazine, Aksigorta jumped 7 places to 54th position in 2012.

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A stock performance which satisfies our investors...

28% of Aksigorta shares are traded publicly on the Istanbul Stock Exchange National Market under the "AKGRT" ticker. Having become the world's second best performing market in 2012, the ISE provided an average 42% return to its investors.

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Pressing ahead with a forward looking strategy built around customer satisfaction...

The Turkish Economy continued its positive decoupling from emerging economies through its successful management of the soft landing process during a year where efforts to overcome the global difficulties continued. In this process, Aksigorta maintained its forward looking and customer oriented operations without sacrificing its principles of efficiency and effectiveness.

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Satisfactory and sustainable growth in profitability and volumes...

Aksigorta is focused on both contributing to the development of the industry and sustaining its profitable growth and increasing its market share. To this end, Aksigorta will continue to contribute to the national economy through its values and sustainable healthy growth.

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Agenda for the Annual General Meeting

AKSIGORTA A.Ş.

APRIL 16, 2013

AGENDA FOR THE ANNUAL GENERAL MEETING

@17:00

1. Opening and the election of the Chairmanship Committee,
2. Authorization of the Chairmanship Committee to sign the minutes of the Annual General Meeting,
3. The reading and discussion of the Board of Directors' Report and summary of Statutory Auditors' report and Independent Audit Report regarding 2012 activities,
4. Presentation to the Annual General Meeting regarding Donations made in 2012,
5. Determination of the company's donation limits for 2013,
6. Informing the General Assembly regarding the Related Party Transactions in 2012,
7. Informing the General Assembly regarding the guarantees, pledges and liens given in favor of third parties, and benefits realized from those in 2012,
8. Informing the General Assembly of any transactions conducted within the scope of article 1.3.7 of the Corporate Governance Principles of the Capital Market Board,
9. Approval of the Dividend Policy
10. The reading, review and approval of 2012 Balance Sheet and Income Statement
11. Release of the members of the Board of Directors and the Statutory Auditors from liability with regard to the 2011 activities,
12. Approval, or disapproval of the Board of Directors' proposal on the distribution of 2012 profit,
13. Determination of the Compensation Policy of the Members of the Board of Directors,
14. Approval of the members of the Board of Directors re-appointed in order to comply with the Article 25 of the Law No. 6103,
15. Election of Auditors for 2013,
16. Approval of the Internal Instructions on Working Principles and Procedures of the General Assembly, prepared by the Board of Directors,
17. Granting permission to the Chairman and members of the Board of Directors to carry out the formalities stated in Articles 395 and 396 of the Turkish Commercial Code.

The Power of Change

Change...

It needs a target to start.

Change is a step towards goodness and innovation.

Change is an unfinished road, a process, the necessity of time.

Change is to make a choice, it is to know.

It is the conversion of "before" and "now" to "after".

Change is to think the beyond of the beyond.

Change is human. Change is life.

The power of change is Aksigorta.

We could not possibly ignore the Change while the world has been changing, Turkey has been changing. We have started to accomplish successful results in a range of areas from bank channels to agencies, from marketing to human resources to finance following the studies initiated to become a pioneering force in the Insurance Industry with the partnership of world giant, Ageas. In line with the profitable growth strategy announced at the beginning of 2012, we have raised our

premium generation on one hand and the share of profitable branches in our portfolio on the other. The approximate 55% growth in our net profit over the last one year stands as a key indicator of how well we have managed the change. Our finger is on the pulse of key trends in the sector and we are changing perceptions, product ranges, communication and human resources through the renovations we have started to provide for the insurance sector through proactive thinking.

How does the power of change work in Aksigorta?

- We foresee risks and change perceptions.
- We develop products and balance our portfolio.
- We follow technology and simplify communication.
- We discover talents and rejuvenate while we are ageing.
- We change the marketing approach and consider people.

We work on improving insurance awareness and carry out sustainable projects.

As Aksigorta, we initiate sustainable projects to increase the risk awareness in society within the framework of our social responsibility policy. We base our existing projects on a long term perspective with a focus on training, and carry out various studies which will contribute towards raising generations equipped with a strong awareness of natural disasters and the importance of insurance. Within this context, we maintain our "Hayata Devam Türkiye" project through which we travel around the country with Turkey's first 3G Force Earthquake simulator.



The best project

We won the best project award in the "Altın Pusula Awards" in the Corporate Responsibility-Education category.

3 million people

We accessed 3 million people through the "Hayata Devam Türkiye" project, which has entered its third year.



Corporate Profile

Aksigorta moves forward successfully on its sustainable and profitable growth track backed by strong synergy through the partnership of Sabancı Holding and Ageas.

Working to a customer oriented and innovative vision since its establishment in 1960, through contemporary and sustainable steps, Aksigorta maintained its profitable growth in the insurance business in 2012 with its strong and renewed shareholder structure.

Placing customer satisfaction squarely at the heart of its service providing process, Aksigorta serves its thousands of individual and corporate clients across Turkey through;

- 13 Regional Directorates,
- 2 Representative Offices,
- More than 1,800 independent agencies,
- 961 Akbank branches,
- 61 Brokers,
- 3,600 Contracted Institutions.

Having provided exclusive solutions to its customers and having won their confidence by maintaining its corporate values for more than 50 years, Aksigorta will continue to “do what it knows best”.

The brand of reliability in the insurance sector

Continuing to build upon its strong brand recognition and market value after entering into partnership with the world giant, Ageas, Aksigorta’s diversified product portfolio has put it in a position to respond proactively to market needs while its ability to predict events has enabled the company to continue creating added value for its shareholders, despite the difficult market conditions.

In the “Turkey’s Most Valuable 100 Brands” survey conducted by the British consultancy firm, Brand Finance for Capital Magazine, Aksigorta jumped a further 7 places to 54th position in 2012, after having climbed 11 places in 2011.

Target: Sustainable and profitable growth

Aksigorta aims to contribute to the development of the sector while at the same time increasing its market share through superior rates of growth. This process also demonstrates how Aksigorta will increasingly contribute to the national economy.

As it prepares to introduce further innovations to the Turkish insurance industry, Aksigorta focuses on;

- Providing an increased contribution to the growth and development of the insurance sector in Turkey,
- Improving the public insurance awareness in every way possible,
- Rendering insurance products and services accessible to every segment of society,
- Being a broad-based, mass insurer.

The major shareholders of Aksigorta, whose shares are publicly traded on the ISE National Market under AKGRT ticker, are H.Ö. Sabancı Holding (with a 36% stake) and Ageas Insurance International N.V. (also with a 36% stake). According to the audited December 31, 2012 unconsolidated financial statements, Aksigorta’s asset volume had reached TRL 1,267 million.



Aksigorta hisse senetleri İMKB Ulusal Pazarı’nda işlem görmektedir.

The Pioneer of Change, the Driving Force of the Sector

Our vision

To be industry leader by providing innovative service

Our mission

Making life secure by providing innovative non-life and health insurance services through all channels and creating value for all stakeholders

Values

- Leadership
- Customer Focus
- Transparency
- Ethical Values
- Sustainability

Our strategies

- Achieve and maintain a balanced product lineup that is mindful of profitability
- Grow faster in profitable channels while improving productivity in all channels
- Increase productivity and effectiveness by achieving operational excellence in all claims-related activities
- Improve the corporate performance management system by further improving human resources practices
- Improve IT infrastructure and complete the IT transformation process
- Support the company-wise advancement of an innovation culture that seeks to achieve service excellence
- Strengthen our reputation as the sector's best service provider by understanding agents and customers better and increasing their loyalty.

Our Customer Relations Policy

Transparency: Members of the Aksigorta family are able to submit their complaints, demands, requests, and questions whenever they wish and in a correct, complete, clear and easy way. All of our communication channels are open to our customers.

Accessibility: Members of the Aksigorta family can submit their complaints, demands, requests, and questions 24 hours a day 7 days a week through our Service Center on 444 2727 and our other access channels.

Responsiveness: Members of the Aksigorta family receive responses to their complaints, demands, requests, and questions as quickly as possible through the Aksigorta Service Center.

Objectivity: Every complaint, demand, request, or question that a member of the Aksigorta family submits about any issue is responded to fairly and without prejudice.

No charges: No charge whatsoever is made when considering or resolving any complaint, demand, request, or question that any member of the Aksigorta family submits about any issue.

Confidentiality: Ever since its inception as a company, the confidentiality of private information has been a matter of the utmost importance for Aksigorta. No information entrusted to us is ever divulged.

Customer Focus: Members of the Aksigorta family deserve nothing but the best at all times. They are provided with effective, realistic, practical solutions; their needs are met; their rights are always safeguarded.

Accountability: When complaints, demands, requests, and questions submitted by members of the Aksigorta family are received and acted upon, the reasons for the action we take are provided along with our responses.

Ongoing improvement: One of the strongest companies in the business, Aksigorta invests without letup and continuously makes improvements in everything that it does in order to better serve its family members and provide them with proper guidance.

Fast and Effective Solutions: Aksigorta introduces innovations to its sector in order to come up with fast and effective solutions in line with its family members' needs.

Professionalism: Aksigorta employs a staff of solution experts in order to deliver the very best in service to its family members.

We foresee the risks, and change the perceptions

We are aware of the importance of insurance when it comes to avoiding risks. We sign up to educational projects addressing all segments of society in a bid to establish insurance awareness and help create a visionary society that can tackle risks. We believe this approach will also contribute to the development of the industry.



Aksigorta Fire and Earthquake Centre (YADEM)

In YADEM, thousands of children have been trained on earthquake and fire matters.



An adventure that goes back to 1960...

The first policy

The first policy was issued by Aksigorta in 1961.

The first insurance agency

Lami Teymen opened the first Aksigorta agency in Adana.

The beginning of bankassurance

Aksigorta brought the bankassurance concept to insurance literature in the early 1980's.

Aksigorta issued the first insurance policy through an online connection in 1983. In a short period of time, all regional directorates started to work online. By 1989, the Company has started to provide faster services through utilizing technological platforms.

The public offering of Aksigorta

Aksigorta shares were offered to public in 1994, and the shareholder base of the Company was broadened. Aksigorta moved its Headquarters from the historical "Minerva Han" building in Karaköy to a new building located in Fındıklı, İstanbul in 1995.

The opening of the Fire and Earthquake Training Centre

In 1996, Aksigorta signed up to a unique project and opened the Fire and Earthquake Training Centre, which was fully built with technological infrastructure developed in Turkey. The project proved its success in making an impression worldwide.

Aksigorta gradually restructured its regional directorates across the country in 1996. During the same year, the Company initiated the implementation of the Human Resources project, through which the transition to the performance management and career planning system was completed, paving the way for a more deeply rooted and solid company base. Also, a website was launched by Aksigorta in line with its target to serve customers more rapidly and effectively.

The first online policy in Turkey's bankassurance business

Through the completion of the Bankassurance project in 1998, Aksigorta has started to cooperate with Akbank's nationwide branch network. Accordingly, the first online policy in Turkey was issued by Aksigorta. Furthermore, online connections were set up with approximately 150 agencies in the same year. Through this, Aksigorta reinforced the customer satisfaction with improving speed and efficiency.

Aksigorta established the quality assurance system modeled on ISO 9001:1994 standards, and was also awarded the BS EN 9001:1994 Quality Standard Certificate.

Awarded the certificate of authorization in the health branch, and the opening of the Aksigorta Service Centre

Aksigorta obtained the certificate of authorization in the health branch, and began to issue insurance policies in 2002.

Also in 2002, in an effort to increase efficiency and improve communication with its agencies, the Aksigorta Service Centre was opened, providing services in a whole range of fields from claim file notice to other insurance procedures on a 24/7 basis.

The new restructuring concept...

The Company undertook a restructuring process in 2004 to improve its customer service quality following the diversification and widening in its customer base. The İstanbul region was restructured under 4 regional directorates - İstanbul 1, İstanbul 2, İstanbul 3 and Corporate Regional Directorates - and operational and sales transactions were transferred to these directorates.

Transition to regional management

Renewing itself constantly in line with market conditions and demand, Aksigorta shifted its management strategy from central management to regional management in 2006 through revising its business and decision making processes. Within this framework, Aksigorta created a widespread regional organization by strengthening the competency and capacity of the regional directorates, given that they are the Company's initial contact points with its customers and agencies.

The merger between “Ak Emeklilik” and “Aviva Hayat ve Emeklilik”

Ak Emeklilik A.Ş. - a subsidiary of Aksigorta - merged with Aviva Hayat ve Emeklilik A.Ş. in 2007, and carried out its operations under the name of AvivaSA Emeklilik ve Hayat A.Ş. following the merger.

An insurance company renowned for its efforts to comply with new legislation

In 2008, the Company rapidly completed its efforts to bring itself in line with the newly implemented insurance business laws and regulations in Turkey.

Aksigorta became the leading company on KalDer’s Turkish Customer Satisfaction Index and in the same year was elected by Tüketici Dergisi (Consumer Magazine) as the “most reliable insurance company for quality” for 4 years in a row.

Steps to increase the efficiency of the core business

In 2010, Aksigorta entered a spin-off process and transferred its participation portfolio to Sabancı Holding in a bid to achieve capital optimization and unlock the hidden value of its core insurance business.

In 2009, Aksigorta was elected by consumers as the “most reliable insurance company”

in a research study conducted by AC Nielsen, which stands as testament to Aksigorta’s business success.

Following the revisions to the Turkish Commercial Code, the transfer of Aksigorta’s participations to Sabancı Holding was initiated and the process completed as of January 14, 2010 following the Extraordinary General Meeting held on January 4, 2010.

Joining forces with Ageas

Ageas, a Belgium based international insurance company, became a strategic shareholder of Aksigorta in July 2011 as Sabancı Holding, which held a 62% stake in Aksigorta at the time, sold 31% of the shares to Ageas for USD 220 million to forge strategic alliances in Aksigorta. The company has reinforced its strengths by including a global dimension, thanks to its new ownership structure.

To become the leading player of the sector through innovative services

In 2012 Aksigorta renewed its vision “To become the leading player of the sector through innovative services” as the company demonstrates efforts to improve the innovation culture.

Who is Ageas?

Ageas is an international insurance company with 180 years of experience in the sector. Ageas’s operations are focused on Europe and Asia, which constitute the largest global insurance market in the world. These operations were grouped under four segments: Belgium, the United Kingdom, Continental Europe and Asia.

Ageas is highly experienced in joining forces with strong financial corporations and local players in different geographical regions of the world, and has strategic alliances in Belgium, the UK, Luxembourg, Italy, Portugal, China, Malaysia, India and Thailand.

The Company also has subsidiaries in France, Germany, Hong Kong and the UK. Apart from its leadership in life and workforce insurance segments in Belgium, it is also an important player with AG Insurance in non-life segment. In the UK, it is the second largest player of the motor vehicle insurance segment, and commands a strong presence in more than 50 markets worldwide. With more than 13,000 employees, Ageas generates approximately EUR 18 billion in revenue per year.



Towards 2013

Moving forward with sustainable and profitable growth, Aksigorta enters 2013 as a stronger, much younger, and a dynamic company.

Financial Highlights

| Financial Indicators (TRL million) | 2011 | 2012 |
|---|-------------|-------------|
| Gross Written Premiums | 1,137 | 1,311 |
| Incurred Claim | 540 | 608 |
| Technical Result | 37 | 55 |
| Profit Before Tax | 38 | 63 |
| Net Income | 32 | 49 |
| Paid in Capital | 306 | 306 |
| Shareholders' Equity | 403 | 424 |
| Total Assets | 1,213 | 1,267 |

| Capital Solvency Ratios | | |
|---|---------|---------|
| Gross Written Premiums / Shareholders' Equity | %282.20 | %309.60 |
| Shareholders' Equity / Total Assets | %33.20 | %33.40 |
| Solvency Ratio | %146.50 | %166.70 |

| Operational Ratios (Non-Life) | | |
|--------------------------------------|--------|--------|
| Retention Ratio | %75.90 | %72.90 |
| Loss Ratio (Net) | %70.20 | %67.30 |
| Combined Ratio (Net) | %99.00 | %98.10 |

| Profitability Ratios | | |
|--|-------|---------|
| Technical Result / Gross Written Premiums | %3.30 | %4.20 |
| Profit Before Tax / Gross Written Premiums | %3.30 | %480.00 |
| Net Income / Gross Written Premiums | %2.80 | %3.70 |
| Net Income/Shareholders' Equity | %9.00 | %12.10 |
| Return on Equity (ROE) | %8.30 | %11.80 |

TRL **1,311**
million Premium Production

TRL **55**
million Technical Profit

2012 was a year when Aksigorta reached its targets and recorded profitable growth.

Aksigorta Partnership Structure



Registered capital

Aksigorta A.Ş. changed to the registered (authorized) capital system pursuant to the provisions of Turkey's capital markets law (Statute 2499) as of 9 March 1995 and holds license number 301 from the Capital Markets Board. The Company's authorized capital ceiling is TRL 500 million, and its paid-in capital is TRL 306 million.

Capital Structure

No material changes have taken place in the capital structure of Aksigorta A.Ş., as shown in the table below. Both of the company's major shareholders have purchased the same volume of Aksigorta shares traded on the Istanbul Stock Exchange, and as a result their stake in the company increased from 33.11% to 36,00%. There are no privileged shares holding special rights. Neither Board members nor senior executives hold any stake in the company.

Management Methodology

Sabancı Holding and Ageas Insurance International N.V. retain control of the company management on an equal basis.

Shareholders that control more than a 10% stake in the Company's issued capital. The names and shareholding interest of shareholders who hold more than a 10% stake in the Company's issued capital are shown in the following chart.

| Shareholder's Name | Shareholding Ratio | Share Amount (TRL) |
|------------------------------------|--------------------|--------------------|
| H.Ö. Sabancı Holding A.Ş. | 36 | 110,160,000 |
| Ageas Insurance International N.V. | 36 | 110,160,000 |
| Other | 28 | 85,680,000 |

We improve products, and balance our portfolio

As in previous years, the main priority for 2013 is profitability... To this end, we have placed our product portfolio on a more profitable footing. We have started to achieve remarkable growth rates in high potential segments, besides the bankassurance and non-motor segments, and have developed a more efficient product mix.

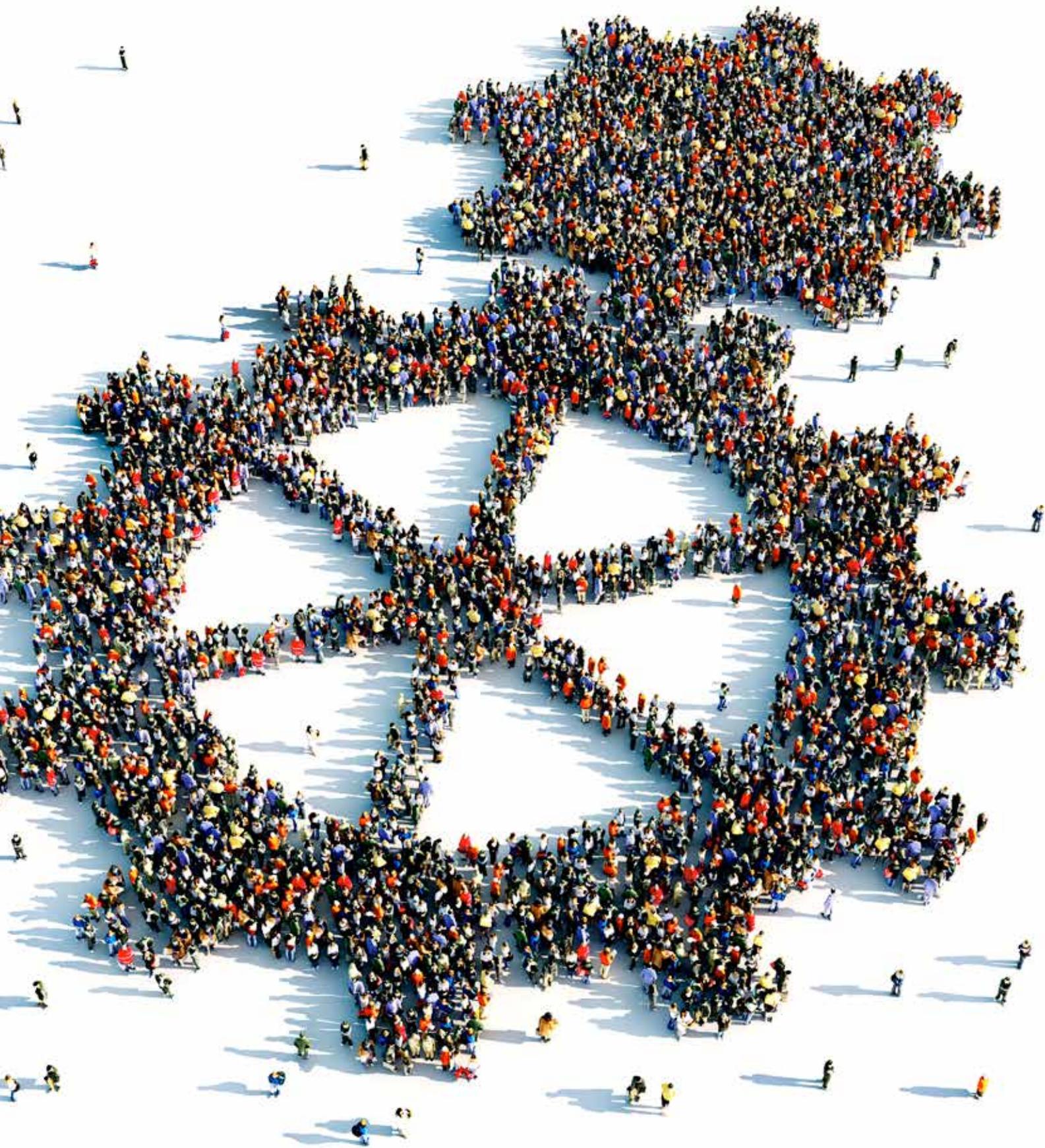


More than 1,800 independent agencies

Aksigorta has continued to access to its customers effectively through its agencies.

Travel Insurance

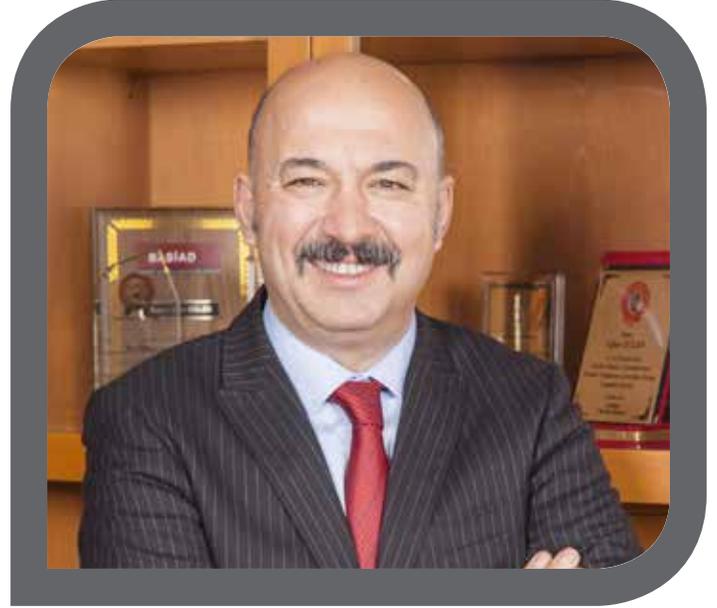
A campaign conducted by Aksigorta in 2012 marks a pioneering practice in the market. The campaign named "Seyahat Sağlık Sigortası Yaptırmak Olay Olmasın, Tek SMS'le Kolay Olsun" (Travel health insurance does need to be a major hassle - it is easy with just a single SMS).



Management's Assessment



Haluk Dinçer
Chairman of the Board of Directors



Uğur Gülen
Chief Executive Officer



In 2012, Aksigorta's total premium production reached TRL1.3 billion, with the insurer commanding an 8% market share, and recording a 15.4% increase in total premium production.

With more than 50 years' experience and over 10,000 stakeholders, Aksigorta has continued to grow profitably and inspire confidence among its customers under the partnership of Sabanci Holding and Ageas.

The year 2012 will go down as a year which marked a continuation of the problems that stemmed from the 2008 financial crisis, on a global basis.

While the high level of government debt and recession in EU economies left their mark on the global agenda, speculation later turned to issues such as the debt limit arguments and fiscal cliff in the US, which is in a relatively stronger position. Emerging economies remained the motor of economic growth in the world economy as global volatility impacted all economies from different angles. Based on the downward-revised forecasts in the IMF's World Economic Outlook Report dated October 2012, the world economy is expected to grow at a rate of 3.3% in 2012 and 3.7% in 2013.

In this challenging process, the Turkish economy stands at a new juncture. It appears that in the post-2008 crisis era, Turkey continues to reap the fruits of restructuring its public finance and banking sector in a sound and sustainable manner following the 2001 crisis. Successfully continuing its positive decoupling, Turkey realized a soft landing in its economy in parallel with a narrowing current account deficit, in line with the targets. Meanwhile, inflation rates dipped to their lowest levels for 40-50 years. A rating upgrade by Fitch back in November 2012 was the cherry on the cake in this bright picture. The Turkish economy is estimated to have grown by 3% in 2012, with economic growth forecasted to reach around 4% in 2013 through increasing savings, higher local and international investments and increasing national income. Hence the Turkish economy is expected to stand out as one of the world's fastest growing economies in 2013.

Slow growth in premium generation in the global insurance sector

In parallel with the contraction in global economies, demand for non-life insurance has remained stagnant. The global insurance sector is forecasted to have recorded a 3% increase in premium generation, indicating a weak growth performance. On the other hand, the capital structures of the insurance companies have strengthened in the year thanks to the positive impact derived from the fact that claims paid on disasters have remained lower than in previous years.

Despite the stagnation in the global insurance sector, there was a 19% increase in premiums in elementary segments in Turkey. Non-life premium generation in the sector totaled TRL 17 billion. However, macro-economic policies aimed at supporting the soft landing in the economy coupled with record declines in interest rates have resulted in a sharp decline in the financial income of insurance companies; hence, the sector has continued to be dogged by weak profitability.

Management's Assessment

Under these circumstances, the performance of the domestic insurance sector remained below expectations in 2012. One of the major reasons behind this was the legislative revisions, while claims from the fire and flood segments were another factor to take a toll on the overall performance of the sector.

The insurance sector in Turkey offers growth potential against a backdrop of stronger macroeconomic expectations in 2013.

The low penetration levels, Turkey's fast growing economy, a middle class which has passed a critical income-savings level in terms of insurance spending a long with a rising awareness all offer a wealth of opportunities for the insurance sector. In particular, the low-cost health, motor vehicle and housing insurance segments are expected to benefit the most from the strengthening of the middle class and increasing consumption habits. Over the next 10 years, elementary premium generation is forecasted to reach TRL 70-80 billion, suggesting growth to 4-5 times the current levels.

The synergy derived from the partnership between Sabanci Holding and Ageas allowed Aksigorta to improve its business in line with its long term plans and to sustain its growth in 2012.

2012 was a year where Aksigorta reached its targets and recorded profitable growth. In light of the implementation of the new strategies, the Company's portfolio has been restructured and the Company has focused more on the non-motor segments, such as the fire segment.

Aksigorta's total premium generation had reached TRL 1,311 million as of the end of 2012, implying 15.4% growth over the previous year. The company's technical profit increased by 48% to TRL 55 million while it recorded a net profit of TRL 49 million, marking a 52% YoY increase.

In line with its strategy announced in the first quarter of the year, Aksigorta has balanced its product portfolio with a more profitable base, by increasing the share of the non-motor segments - marked by their low penetration and high growth - from 47% to 51%. Aksigorta realized an impressive 39% in the fire segment, exceeding the sector growth rate.

Aksigorta has continued to post profits in motor branch, a segment in which many insurers recorded a loss in 2012. Moreover, while the sector as a whole posted 18% growth for the general losses branch, which includes engineering and agricultural insurance, Aksigorta attained 39% growth, demonstrating that the company achieved one of its most significant declared goals.

Aksigorta aims to sustain the profitable growth trend, which started in 2009 and which gained pace in 2011, and will strengthen the company's performance in 2013.

With the aim of being profitable, Aksigorta has principally focused on attaining high growth rates for 2013, especially in the bankassurance and non-motor branches, as well as creating more efficiency in its product-delivery channel.

The positive reflections of the transformation project, which was supported by the board's successful decisions, are manifested in the net technical income figures, and we are expecting to see further favorable results in the future.

The most striking developments in the transformation process in 2012 were the elimination of the loss in motor insurance where we succeeded in breaking even - in a segment where the overall sector had recorded a loss. We also improved the loss ratio in the health insurance segment. Another important development was that thanks to the "win-win" model applied in bankassurance, we stepped up our customer-focused sales and service quality, which form the basic components of our strategic planning.

We shall continue to reap the fruits of our labours in these projects, accepted as productivity processes in 2012, to an increasing extent in 2013. While these developments have a leverage effect on the technical net income, they also ensure Aksigorta is a leading figure in the sector.

The company's business plans are set up on the basis of a targeted 10%-15% return for equity for shareholders.

At the current juncture, the summary of the goals for 2013 are as follows.

- * To create a well-balanced portfolio by increasing the share of the non-motor branches,
- * To sustain market share
- * To grow in bankassurance
- * To enhance the profitability of the agency channel
- * To conclude the transformation projects
- * To increase both Aksigorta's market value and its share price performance
- * In addition to realizing the above goals, to also increase customer satisfaction

Aksigorta aims to be the most trusted insurer with its services, the most well established with its experience and the most innovative with its vision in the sector. The company shall also seek opportunities for inorganic growth within its shareholders Sabancı Holding and Ageas. With its values, wholeheartedly adopted by its employees, its strong corporate structure and its millions of customers, Aksigorta is continuing to serve in the sector.

Achieving success on the back of the common achievements of our team members

One of Aksigorta's main sources of value is its strong and closely knit team. It is as much a result of the loyalty of team members to the company and the brand as it is of every employee's devoted and unstinting efforts, and shared corporate values, that ensure Aksigorta is a leading figure, and which place the company in such a prominent position with its progressive characteristics in the sector.

Hence, we would like to take this opportunity to thank all of our employees for their contributions to Aksigorta's successful performance in 2012.

As a widely trusted corporation, enhancing the company's sound reputation in the eyes of customers represents immeasurable value for us. We would like to thank all of our shareholders and customers for their contributions and their support in our success, which has also been achieved with our willingness to offer the best service.

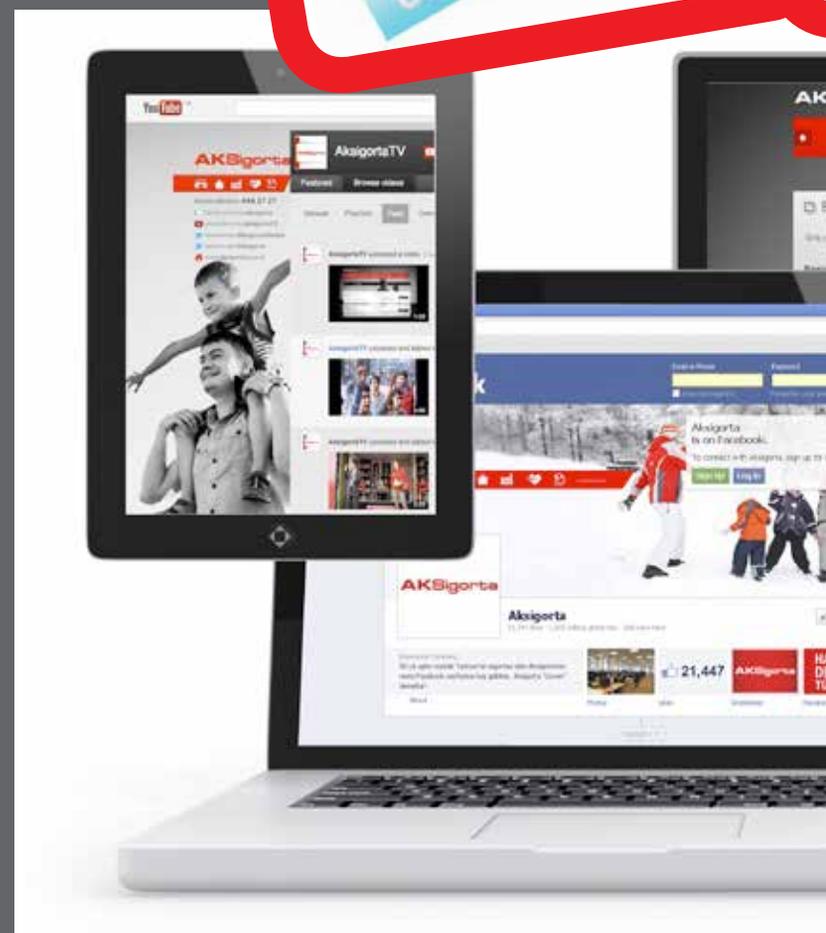
51%

Aksigorta raised the share of non-motor insurance in its portfolio from 47% to 51% in 2012.

Guided by its profitable growth strategy, Aksigorta both increased its premium production and raised the share of profitable branches.

Solving problems by being in touch through Social Networks

We are connected to our customers and, in a broader sense, society as a whole through our formal Facebook page, Twitter accounts and YouTube. By scanning Social Media and the web 24/7, and by enhancing complaint management, we ensure it is easier to connect with Aksigorta, strengthening communication with customers.

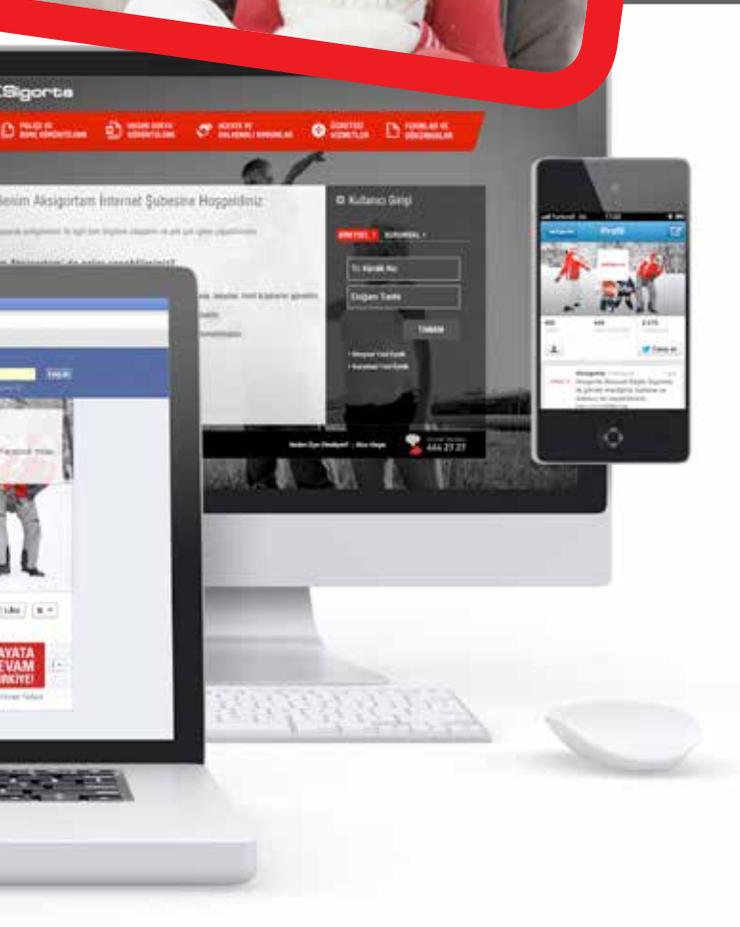


17,000 Facebook subscribers

We are followed by 17,000 people on Facebook.

More than 2,000 Twitter Followers

Our Twitter page is followed by more than 2,000 people.



The Economy and the Sector in 2012

The Global Economy in 2012

2012: A Year of Uncertainty

The period of uncertainty, marked by the global economic crisis, remained a dominating theme during 2012. The recovery in global economic activity has still fallen short of expectations, while weaknesses in public finances in developed countries also emerged as a key concern. As the USA came to terms with the fiscal cliff issue, the outlook in the EU remained uncertain amid a rising risk of recession in the region. Such woes affecting developed countries also had a knock-on effect on developing countries. Despite regional variations in growth rates, on the whole overall growth rates were on a downtrend.

The steps taken to solve the difficulties and the measures implemented began to have a positive effect on the outlook for global markets in the last couple of months of the year. Rising euro zone bond yields came under control to a certain extent, and the risk of deeper fiscal problems receded. On the other hand, the expansionary monetary policies applied in order to boost economic growth in emerging markets lead to an abundance of liquidity, curtailing the losses in

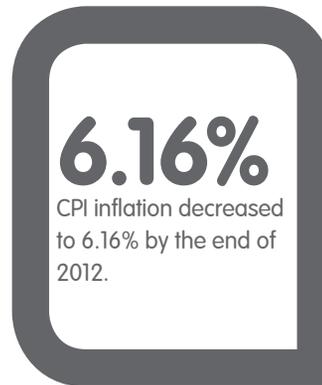
capital markets.

With unemployment rates in the USA remaining high for a sustained period of time, the FED declared its 3rd quantitative easing package. In a departure from previous precautionary packages, the FED stated that until unemployment was brought down to a more satisfactory level, it would continue to buy mortgage backed assets. Besides, the current deficit in the USA had reached such an extent it would affect the global economy in the short and medium term. Spending cuts and higher taxes, potentially raising the risk of recession in the US economy, are also important concerns for investors.

China has emerged as the largest contributing force to the economic recovery process, even as global economic crisis has taken its toll on growth in the Chinese economy for the last year and a half. Economic growth in China has slowed down, and its formerly impressive pace of growth is expected to continue its decelerating trend in 2013. Excess investment in the past, declining efficiency in the equity, unfavorable changes in consumption patterns and some blunting of China's competitive

advantage are some of the main factors behind the slowdown in china's economic growth, and it appears difficult to solve these problems through conventional reflationary programs.

Expectations regarding the world economy tend to depict a volatile growth performance in the near future.



Steps taken to resolve the difficulties and the measures implemented began to support global markets in the last couple of months of the year.

The Turkish Economy in 2012

An optimally balanced demand structure

Just after the first quarter of 2011, economic activity began to slow down and the Turkish economy, in line with expectations, entered a soft landing process. Domestic demand started to gradually decrease from the second half of 2011 in what was a successfully managed process, while export-led growth became apparent from last quarter of 2011. Accordingly, while the demand structure became considerably more efficient, the composition of growth became healthier and more sustainable. The Medium Term Program, declared in October, predicted a 3.2% rate of economic growth for 2012, based on the projection of a reduced contribution from net exports of goods and services to growth and a proportionate recovery in domestic demand.

The trade deficit narrowed from USD 10.453 billion in 2011 to USD 6.825 billion in 2012, supported by the rise in exports and decrease in imports in the last quarter of 2012; as such the export/import ratio rose from 50.7% in 2011 to 65.6% as of December 2012.

The improvement in the trade

balance reflected positively on the current account balance. The current account deficit improved from \$64.9 billion in the ten months between January and October of 2011 to \$41.1 billion in the same period of 2012. It was expected that the current account deficit as a ratio of GDP would decrease from 10% in 2011 to 7.3% in 2012 under the Medium Term Program.

While the rate of CPI inflation peaked at 11.1% in April 2012, it later recorded a sharp fall starting from May. In the 4th quarter of 2012, the decline in inflation became more apparent and CPI inflation ended the year at 6.16%, helped by food inflation remaining at its seasonal level. Note that the annual rate of PPI inflation was just 2.45% in 2012. For the following period, increase in the energy prices was the core determinant in the direction of inflation.

The Insurance Sector

In line with projections, the Turkish economy grew by approximately 3.2% in 2012. The softness in lending decreased the growth rate, while it also affected the insurance sector. Hence, the growth in premium production in 2012 was less than in 2011.

Looking at the sector in a segmental breakdown, the significant growth in the number of non-life branches had a supportive impact on sectoral growth; on the other hand, the life insurance segment did not record sufficient growth, in contrast with previous years. The share of the non-life branches increased compared to last year to reach 86.33%, while premium production in the life insurance segment totalled TRL 2,710 million. The highest total premium production among non-life insurance segments was seen in the motor own damage branch. It was followed by motor third party (TRL 3,937 million) and by fire and natural disasters (TRL 2,645 million). The real growth rate was approximately 10% for non-life branches in 2012.

The low level of interest rates was the most striking phenomenon in 2012. Interest rates declined from 11% at the beginning of 2012 to 7-8% by the end of the year. The non-life insurance segment, where monetary income was the main source of revenues, was obliged to revise all of its plans as competition in these branches became considerably fiercer.

The low level of interest rates at the end of the year also marked an upsurge in competition in the sector. However, the environment of rapid economic growth, the significant income/savings ratio among the middle-class and increasing public awareness of insurance still stand as opportunities for the sector. While the insurance sector is expected to grow to a multiple of 4-5 times its current size, total premium production is projected to reach approximately TRL 70-80 billion.

At the current time, Turkey is the 16th largest economy in the world and ranks 30th in the non-life insurance sector worldwide. The Turkish Insurance sector consists of 35 non-life companies, one reinsurance company, 7 life insurance companies and 18 life & pension companies, representing a total of 61 insurance companies.

Interest rates declined towards the end of 2012, a harbinger of the increasing competition for the sector.

The Economy and the Sector in 2012

The world is changing, and Turkey is changing: trends are shaping the insurance sector

In Population: Demographic changes

Increasing life expectancy is promoting a trend towards healthy living, leading people to consider the need for insurance in their old age. Life insurance, pensions and health insurance are expected to be at the stage as a result of the demographic changes.

A burgeoning middle class in developing countries

Thanks to the fast economic growth in developing countries, the middle classes have seen their incomes rise. As consumption among the middle classes has increased, low cost health insurance, motor own damage insurance and home insurance have been top priorities. Brand recognition of insurance companies is a crucial factor in preferences among this group.

Low income rural populations in developing countries

Members of the rural population in the low income group are those who most need assurance and have the lowest income. The provision of basic and cheap products for this group of people is vital, since natural disasters hit this group the hardest, and they generally lack social security.

In Marketing: Digital Marketing

In parallel with the increasing number of mobile phone and internet users, there is a diverse range of application platforms. Thanks to digital marketing, information belonging to customers is more accessible, and can be used easily by insurance companies.

Analytical intelligence - customer behavior and creating profiles

The digital world comes with huge amount of "data". However, only the companies which process the data and transform it into information and "internalize" it can make a difference. Collected data is used to build efficient customer segmentation, building tailor-made campaigns and creating customer profiles, which enables firms to create the "Right products for the right customers".

Emergence of online intermediaries serving as a price comparison platform

The online intermediaries enable customers to assess different companies; different products and different prices directly affect customer decisions and, indirectly, determine market shares.

Customer segmentation enables companies to present productive and better products

The insurance sector is expanding day by day and becoming more complicated. Only companies skilled at processing data and transforming it into information are able to seize the opportunities. The only way to sustain a competitive advantage is to know about customers and offer the most appropriate products according to customers' characteristics and their needs.

Expanding direct sales as an alternative to agency and broker distribution channels

Due to the emergence of alternative channels and the increase in their market shares, traditional distribution channels such as agencies and brokers are placed in a disadvantageous position. For that reason, insurance companies should reach customers through consulting services, customer segmentation and easily understandable and saleable products.

The digital world comes with huge amount of "data". However, only those companies which process the data and transform it into information and "internalize" it can make a difference.

In Changing Natural and Legal Conditions:**An increasing frequency of catastrophic events**

The frequency of such events, which result in high amounts of claim payments, is increasing. Natural disasters and other events caused by people cost the insurance sector USD 62 billion in 2009. Such events are expected to become more frequent, implying a rising cost over the next 5 years.

Tightening legal regulations

Especially after the global financial crisis, governments and other regulatory bodies have worked towards building a healthy insurance sector. These efforts are expected to gain pace in the coming years. The most significant regulation can be accepted as Solvency, and this implies that the market should reach a standardized level. Note that Solvency II brings high levels of responsibility for companies, especially in risk and capital management.

In Servicing:**Decreasing customer loyalty**

Recent surveys in the insurance sector indicate that customer loyalty is gradually diminishing due to company and product variations. One of the most significant aims of the insurance sector will be to retain customers for the coming years. Surveys have found that half of customers could change their insurance company in the coming period.

Use of multiple distribution channels

Thanks to the diversification of sales channels, customers can receive services through their preferred channel. The share of the online channel is steadily increasing. Therefore, it is vital to focus on those channels that are preferred by customers, or likely to be preferred, and then build distribution infrastructure accordingly.

Increasing servicing quality

The phenomenon of "providing services" lies at the heart of the insurance sector, and this will create value for companies going forward if it reaches the "excellence" level. Providing a fast and high quality service will be at the top of the agenda for companies going forward.

The only way to sustain a competitive advantage is to know about customers and to offer the most appropriate products, based on customers' needs and characteristics.

We follow technology and make communication easier

We attach importance to technology and digital channels. At this point, we are using our digital infrastructure efficiently and working to make the lives of our customers, employees, agencies and all other business partners easier.



Digital Academy

Various e-education modules and education videos are presented to agencies through the Digital Academy.

My Aksigorta

We enable our customers to reach all insurance portfolios and track all processes from a single screen.



Assessment of Aksigorta's Activities in 2012

Aksigorta became the first choice for millions of individuals and corporations in 2012.

Aksigorta insures what is valuable for its customers against various risks, and continues to offer high quality products in an innovative manner.

Our performance is gaining pace: a 15.4% increase in total premiums

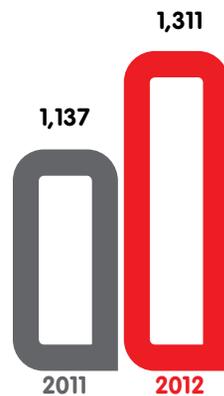
2012 was a successful year in which Aksigorta achieved its goals and recorded profitable growth in line with its long term plans.

In line with the profitable growth strategy declared at the beginning of 2012, premium production has increased, while the share of more profitable branches in the portfolio has also increased.

According to year-end figures compiled by the Insurance Association of Turkey (IAT), Aksigorta's total premium production reached TRL1.3 billion, with the insurer commanding an 8% market share, and recording a 15.4% increase in total premium production. As a result, Aksigorta ranked as the 4th largest company in the sector in terms of premium production.

Aksigorta attained 39% growth in in the fire branch, streets ahead of the 15% growth in the sector. The company also notched up 39% growth in the general losses branch, which includes engineering and agriculture sub-branches, again far ahead of the sector growth rate of 18%.

Premium Production (TL million)



Net Profit (TL million)



Aksigorta considerably improved the profitability of its product portfolio and increased its market share in the non-motor insurance branch, a segment characterized by low penetration and high growth potential, from 47% to 51%.

The first anniversary of our partnership with Ageas...

As a subsidiary of Sabancı Holding and in partnership of one of the world leaders, Ageas, Aksigorta has taken important steps in the high potential Turkish insurance market.

After realizing its partnership with Ageas, Aksigorta has taken a number of important steps in the sector, backed by its new shareholders structure.

Prince Philippe of Belgium visits Aksigorta

Prince Philippe of Belgium visited Aksigorta together with Benoit Cerexhe, Minister of the Government of the Brussels-Capital Region, Pol De Witte, the Consul of the Belgian Embassy in Ankara, some public officials and a number of figures from Belgium's business community in his Economic Mission visit between 15th and 19th October.

Haluk Dinçer, the President of the Sabancı Holding Retail and Insurance Group and the Chairman of the Board of Directors at Aksigorta, Jozef De Mey, the Chairman of the Board of Directors at Ageas, Bart De Smet, the General Manager of Ageas and Uğur Gülen, the CEO of Aksigorta all met during the visit and assessed the



partnership between Sabancı Holding and Ageas, which is the most important insurance company of Europe.

Haluk Dinçer, who reflected that Aksigorta's brand recognition had increased thanks to the partnership with Ageas, added: "The partnership realized with Ageas is not only a success story for the Turkish insurance sector but also for the whole Turkish private sector. Sabancı Holding always places importance on joint ventures, and this efficient partnership with the European insurance sector giant Ageas justifies our action. My conviction, without any hesitation, is that our companies are going to reap great successes in the future."

Jozef De Mey, the Chairman of the Board of Directors at Ageas, noted that Turkey had become a second home for Ageas in a very short space of time. Bart De Smet, the CEO of Ageas, remarked Ageas was happy and proud to enter the Turkish insurance market, adding: "Turkey is a market with vigorous demographic and economic trends, strong growth rates and exceptionally low penetration rates, and it is also rapidly growing and dynamic."

A strong distribution network

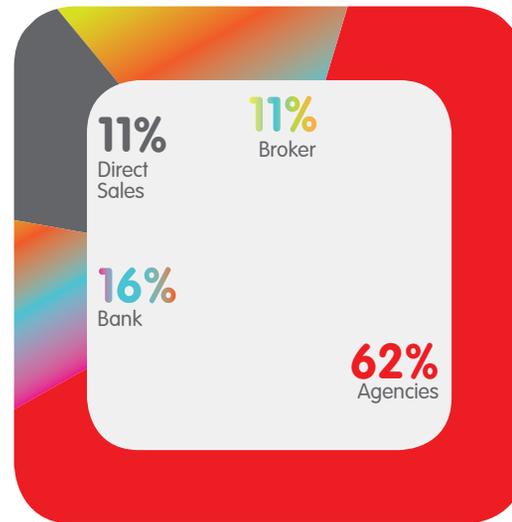
By focusing on the core of the business, Aksigorta aims to make lives safer and continues to distribute its products to its customers in an effective manner, and with its comprehensively guaranteed services against risk, the company offers creative solutions to its customers.

Aksigorta serves individual and corporate customers with high-quality insurance products and services through a diversified distribution network that has a truly national reach. Aksigorta's service network consists of:

- 13 regional directorates
- 2 representative offices
- More than 1,800 tied agencies
- 961 Akbank branches
- 61 brokers
- 3600 Contracted Institutions.

The accompanying chart shows a breakdown of Aksigorta's delivery channels based on their individual shares to the company's premium production as of 2012.

Premium Production (%)



39%

While the sector has grown 15%, Aksigorta has grown 39% in fire insurance branch.

Aksigorta, a Sabancı Holding subsidiary, takes important steps in Turkey market, which has a high potential, in partnership with Ageas one of the leading companies in the world.

Assessment of Aksigorta's Activities in 2012

Relationship with Agencies

Agencies are among Aksigorta's most important business partners. According to 2012 figures, 62% of written premiums came from agencies.

In 2012 in addition to running educational programs which will enhance agencies' sales success, Aksigorta has strived to establish continuous and efficient communication channels with its agencies through new infrastructure efforts.

Through monthly e-newsletters, regional and general meetings and an agencies portal, which is an interactive communication platform, communication efforts has been undertaken to improve the visions and skills of the agencies. An internal educational portal - "Digital Academy" - was used extensively, while various e-education modules and educational videos were brought created for agencies.

A number of different campaigns took place during 2012 in a bid to raise the motivation of the agencies. Experienced campaigns and journeys were used in order to strengthen relationships between Aksigorta and agencies and also between the agencies themselves. Again in 2012, agencies were informed of the company's partnership and goals by organizing the "Agency Event".

Continued strong synergy between Aksigorta and Akbank

The partnership between Akbank and Aksigorta, one of the very first names that come to mind when bankassurance is considered in Turkey, dates back to 1998. A remarkable synergy was established in the bankassurance sector, and a large customer group has been reached.

Aksigorta has completed new applications in line with its aim of a higher performance in the bankassurance sector;

- Tests of SAT TALEP Project, initiated with the aim of speeding up requests and sales through the Akbank channel and to enable personal, regional and branch based performance evaluation, were concluded. The project was started as pilot in Akbank's Salıpazarı, Çekmeköy, Bursa, Bahariye, Topkapı Sanayi branches.
- The Bankassurance Regional Structuring Project, which the Company has been working on for some time, took its final shape with newly added bank region. Field teams were positioned in three regions which recorded an average 35% annual volume growth over the last three years.

- The Bankassurance Newspaper, which has turned into one of the most effective means of explaining the added value and the success of the synergy with Akbank to shareholders, entered publication. Thanks to our innovative product-service approach, Aksigorta's popularity is increasing day by day.

62%

According to 2012 figures, 62% of total premiums came from agencies.



The Akbank - Aksigorta partnership, one of the very first names that come to mind when bankassurance is considered in Turkey, has continued since 1998.

AKBANK

Yenilikçi ürün-hizmet yaklaşımımız Aksigorta'ya olan ilgiyi her geçen gün artırıyor.

In 2012 Aksigorta worked intensively on new applications that will again underline its innovative service and product power.

- In line with its prominent role, Aksigorta initiated the "Claims Transformation Project" in July with the aim of creating a more profitable and sustainable business model by bringing standardization to auto services. In the first step of this project, an agreement was signed with CZ Türk, which is responsible for the Turkish operations of Spanish Centro Zaragoza. As part of the agreement, all auto services that work with Aksigorta will qualify for a CZ certificate by being classified according to their service quality and specialty areas.

- In order to enhance procedures, work on the Next Bankassurance Transformation Program has been continuing with Akbank and AvivasSa since 2010. Implemented with its strategic partner, Akbank, the Home Insurance Fast Offer Project - which contributes significantly to the company's growth and profitability - was the first step of Next Bankassurance Transformation Program. Thanks to the Home Insurance Fast Offer application, Akbank customers can calculate home or property insurance premiums according to the selected parameters; after the calculation has been done, customers who are interested in the offer are called on the same day by the responsible Akbank Call Centre, and can receive their insurance quickly.

- Another innovation that will be particularly useful for customers introduced by Aksigorta is the travel health insurance application, with the motto "Having travel health insurance doesn't need to be a major hassle, it is easy to with just a single SMS". Thanks to this application, Akbank customers will be able to obtain travel health insurance with just one response through the bank's SMS channel. Akbank customers who respond to the SMS messages, which will be sent to customers when they use the bank's airport lounge before international flights, before holidays or after the use of miles in call centers will be able to benefit from Aksigorta assurance when they travel. The Bankassurance, Marketing, Technical, Legal and Strategic Planning and IT departments have worked tirelessly to bring this innovative project to fruition.

- There will be two important outcomes of the large scale transformation project, entitled "Master of Claims", which was started in 2011 at the Claims Department. The first is that small scale motor insurance claims, classed as "Once & Done" claims, can be paid automatically after obtaining papers that can be requested from partner organizations. Accordingly, the Claims Department will be able to devote more time to big cases. The second achievement from the "Master of Claims" transformation project will be determination of fake claims. The forgery team, formed to investigate such situations, has started working on files in a very diligent manner. Quick action will be possible by adding the results of investigations to the automation system.



In 2012 Aksigorta worked intensively on a new application that proved its innovative product and service power.

Assessment of Aksigorta's Activities in 2012

- "Automatic Fraud Laws", another project under the Claims Transformation Project for preventing smuggling and abuse, have started to be implemented. These laws will be further expanded to help claims experts tackle smuggling and abuses.
- Also as part of Claims Transformation Project, a fixed expert policy for Toyota, Renault and VW brand cars was started after it was tested in a pilot study in Istanbul from May. During the study, which was carried out in Istanbul, a significant reduction in the average claims of each of these three brands was achieved, with the guidance of experts appointed as a part of the policy.

We are attracting young talent to Aksigorta

Aksigorta worked tirelessly in the field of talent management in 2012, with the company inducing a number of innovative measures aimed at attracting top talent. By using social media in the recruiting process, it became easier to reach the younger generation, and with its new graduate program, "Aksigorta Young Talents", new career opportunities were offered to 30 high potential new Aksigorta recruits.

Ten university students in their penultimate year, who had not yet started their professional career but were seeking experience in a real working environment, joined the "Aksigorta Young Talent Campus" program, where they were given the opportunity to work in an internship at Aksigorta. A new program, entitled "Future Leaders", which would enable such high potential candidates to have good careers at Aksigorta, was created.

Aksigorta's goal is to become most popular employer and to be home to the best talent in the sector.



Aksigorta places a great deal of importance on its digital presence and digital channels.

Through digital technology, Aksigorta popularizes its products and services and thanks to digital marketing, the company reaches consumer data more easily and by processing this raw data obtains meaningful consumer intelligence.

6,000

In 2012, company related videos on YouTube received more than 6,000 viewings.

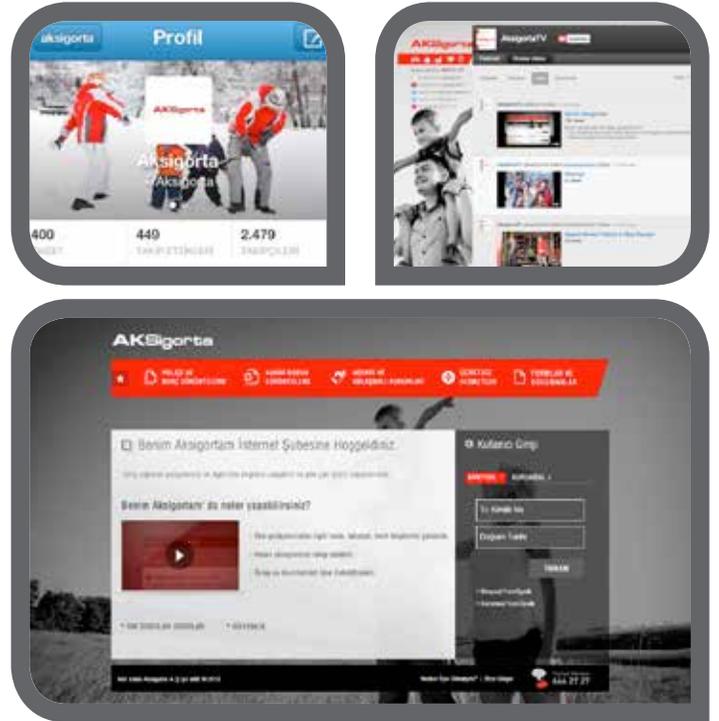
Aksigorta accesses consumer data more easily thanks to digital marketing and processes this raw data to obtain meaningful consumer intelligence.

Aksigorta's goal is to become most popular employer and to be home to the best talent in the sector.

Aksigorta continues to communicate through its official **Facebook page** (www.facebook.com/Aksigorta), **Twitter** (www.twitter.com/Aksigorta) and **YouTube** (www.youtube.com/AksigortaTV). The company allows customers to reach the company more easily by simplifying the process of lodging complaints, by scanning social media and the web on a 24/7 basis. Aksigorta strives to provide the right products to right people with the right technology, and thanks to these efforts, the company has enhanced its reputation in the social media and attracted 17,000 Facebook subscribers and over 2,000 Twitter followers in a short space of time. Furthermore, over 6,000 people watched company related videos on YouTube in 2012.

My Aksigorta

Aksigorta attaches considerable importance to being in touch with its customers in the digital world, and in order to ensure its customers better understand special policies and to reach all details about these policies, the company created a new platform called "My Aksigorta" (<http://benimaksigortam.aksigorta.com.tr>) where all online operations related with insurance can be carried out. This allows customers to reach all insurance portfolios and to track all procedures, step by step.



We discover talents and thus in a sense, get younger even while we are getting older.

We continue to be innovative when it comes to attracting talented and young individuals to Aksigorta. In addition to "Young Talents" program for fresh graduates and "Young Talent Campus" for university students, we have introduced a new program entitled "Future Leaders".



30

Career opportunities were offered to 30 high potential new trainees at Aksigorta as they start their professional careers.

10

Ten students who participated in the "Aksigorta Young Talent Campus" program were given the opportunity to gain real work experience.





Human Resources at Aksigorta

In a sector as highly competitive as the insurance sector, our employees are our most valuable asset and they are what drives us to the top.

Aksigorta is a leading company that strives for continuous development, with its

- trust,
- dynamism,
- quality management, and
- customer-oriented service approach.

The Human Resources Management aims to establish a system which ensures the participation of all of its employees and which is based on cooperation and continuous development, and also supports the professional and personal development of our employees - Aksigorta's principal capital - within the framework of our corporate culture and main values.

Human Resources Policies at Aksigorta

Recruitment

All of the criteria required by the positions are predefined at Aksigorta. Candidates are evaluated on the basis of such criteria during the recruitment process. Every effort is taken to recruit the most suitable candidates to the Company by conducting interviews, performing various analyses, case studies and reference checks.

Performance management

At the beginning of the year in the Performance Management System Success Path, employees discuss their own specific and measurable business targets with their managers, in connection with the Company's objectives and their areas of competence which they want to improve. At quarterly intervals during the year, each employee and their managers undergo an interim evaluation based on these goals. At the end of the year, a general evaluation is performed and the results of the evaluation play a key role in determining the employee's need for training, career opportunities, bonuses and their salaries.

Talent management

With the perception of "Development of the employees is the development of our company", employees in Aksigorta get involved in talent management programs at various levels. Individuals chosen through the Future Leaders program, which is designed for mid-level managers, along with the Aksigorta Young Talent and Aksigorta Young Talent Campus programs, which are designed for recruiting new talent, are prepared for the future. With these programs, Aksigorta raises its own leaders within the company and efficiently uses its human resources, its most valuable asset.

Salary and vested benefits

Aksigorta extends a competitive salary policy to its employees. In addition to annual pay rises based on performance, there is a continuous improvement in vested benefits such as bonus systems, job valuations, private pensions, life insurance and personal accident insurance.

Employer brand

Adopting a vision of being the most popular employer in the insurance sector, Aksigorta continues to progress in this vision with activities in different fields and applications for its employees.

Internal Communication

Active use of internal communication channels is encouraged to ensure employees' loyalty and improve their performance. The Company's targets and strategies are explained and information on their performance is provided to employees through various communication channels, as follows:

- Monthly General Manager Bulletins
- Functional Meetings
- Annual Budget Meeting
- Personnel Portal Personnel Activity
- Breakfast Meetings with the Top Management.

The Company organizes activities in which employees can come together for purposes other than work to support the development of communication between different departments. The most important objectives are to increase employees' satisfaction and loyalty, keep employees in the company, maintain a balance between private life and business life and create a family atmosphere. The following activities are conducted for this purpose:

- Social Club Organizations
- Happy Hours
- Sports Tournaments
- Wellness Programs

Aksigorta Academy

The Aksigorta Academy was founded to train employees to adapt to changing customer needs and expectations through a customer-oriented approach, and will ensure continuous growth by making the difference in their business in order to increase product and service quality. The Aksigorta Academy aims to bring its employees together at various platforms in order to support their development, focusing on improving their managerial, technical and personal knowledge and talents.

Development Programs make use of development methods such as classroom training, e-learning, master programs, English training, seminar/ conference, experience sharing meetings and reading materials.

The Academy supports development activities in 5 main titles:

- General Training Programs
- Leadership Academy
- Talent Management Development Programs
- Future Leaders
- Sales Academy

General Training Programs include all personnel development, technical, product training and conferences/ seminars which are planned in accordance with training needs analysis for employees at all levels.

Leadership Academy

Includes training and development activities which are prepared to develop upper and mid-level managers in line with the company's vision and mission.

Talent Management Development Programs

Development and follow-up programs to attract and keep the employees under the titles of Young Talent and Future Leaders

Aksigorta Sales Academy

An academy established in 2012 to standardize and add value to Aksigorta's sales force. In addition to increasing sales, the Sales Academy aims to bolster the relationship between agencies, the bank channel and Aksigorta and to create an atmosphere that enhances loyalty. The sales academy aims at the following special training objectives for different levels.



Board of Directors



Haluk Dinçer
Chairman of the Board of Directors

(Since 29 July 2011)
Haluk Dinçer was born in İstanbul in 1962. He graduated from the University of Michigan in 1985 with a bachelor's degree in mechanical engineering and was awarded an MBA by the same school in 1988. Mr Dinçer began his career in 1985 as a project engineer at the General Motors Technical Center in the USA. He joined the Sabancı Group in 1995 as a deputy chairman of TemSA. He became vice president of the Food and Retail Group in 2001 and president of the same group in 2002. In 2004 he served as head of the Retail Group and as chairman of three of that group's companies: CarrefourSA, DiaSA, and TeknoSA. As a result of a reorganization of the Sabancı Group in 2011, he also became chairman of AvivaSA and Aksigorta in his capacity as Retail and Insurance Group head. Mr Dinçer is president of the DEİK / Turkish-American Business Council, a vice president of the board of directors of the Turkish Industrialists' and Businessmen's Association, and a member of the boards of directors of the American Turkish Council (Washington DC) and of the American Turkish Society (New York). Haluk Dinçer is married to Suzan Sabancı Dinçer and is the father of two children.



Bart Karel A De Smet
Vice Chairman

(Since 29 July 2011)
Bart Karel A De Smet began his career at Argenta in 1982 and served as a manager at Nationale Suisse from 1985 to 1993. In 1994 he joined ING Insurance in Belgium as an assistant general manager responsible for personal and group life insurance and health insurance. In 1998 he moved to Fortis, becoming CEO of Fortis Insurance Belgium in 2007. Bart Karel A De Smet became CEO of Fortis in 2009. He remained in the same capacity after Fortis was transformed into Ageas in April 2010 and he continues to hold that position today.



Seyfettin Ata Köseoğlu
Board Member

(Since 29 July 2011)
Ata Köseoğlu graduated from Boğaziçi University (Department of Mechanical Engineering) after which he received a master's degree in electrical engineering from Lehigh University and an MBA from Boston University. He embarked upon a career in the banking industry at İktisat Bankası in Turkey, serving as that bank's assistant general manager responsible for investment banking, treasury & capital markets, wealth management, and international relations from its inception until 1994. From 1994 to 1999 Mr Köseoğlu was a managing director at Bear Stearns, one of America's biggest investment banks, with responsibilities for investment banking in Turkey, Greece, and Egypt. He subsequently moved to Paris where he took up residence and became a managing director at Société Générale, where he was in charge of the investment banking division's activities in Turkey and the Middle East. In that capacity he took part in the development of the bank's regional financial strategies as the person responsible for managing and developing relations with important customers in his territory. Between 2010 and 2005, Mr Köseoğlu served as managing director/CEO at Credit Suisse First Boston Bank in London and İstanbul, in which position he was responsible for such matters as corporate finance, project finance, capital markets, and fixed-income and derivative products. He joined the BNP Paribas/TEB Group in 2006, most recently serving as chairman and CEO of TEB Investment. In that capacity Ata Köseoğlu took part in a variety of merger and acquisition projects that ended up making TEB Investment one of Turkey's top five brokerage houses as measured by business volume and profitability.



Steven Georges Leon Braekeveldt
Board Member

(Since 29 July 2011)
Steven Georges Leon Braekeveldt joined ING as an assistant general manager in the USA and Mexico in 2001 after having previously served in numerous international management positions. He holds a bachelor's degree in economics from Catholic University in Belgium and a master's degree in law in Belgium and France. Mr Braekeveldt served as a member of the board of directors of Fortis Insurance from 2006 to 2009 and has been CEO of Ageas Europe since the latter year. Steven Georges Leon Braekeveldt is married and is the father of three children.



Hayri Çulhacı
Board Member

(since 31 July 2010)
Appointed as the Assistant General Manager at Akbank in 1990, Hayri Çulhacı served as a Assistant General Manager responsible for Corporate Communication, Investor Relations and Strategy, Consultant for the Chairman of Board of Directors, and an Executive Director at the Board of Directors, respectively. Before working for the private sector, Hayri Çulhacı was commissioned as an Account Expert and Department Chief at the Ministry of Finance. He is currently a member of the Board of Directors responsible for audit. Hayri Çulhacı graduated from the Faculty of Political Sciences at Ankara University and took his MBA at Northeastern University in USA.



Noyan TURUNÇ
Board Member

(Since 30 May 2012)
Noyan Turunç holds bachelor's and master's degrees from Ankara University (Faculty of Law). He began his career in the reinsurance department of Ray Sigorta and subsequently worked for Boeing and Coca-Cola. In 1990 Mr Turunç set up his own law practice, Turunç Hukuk Bürosu, which provides a wide range of legal services in such areas as banking, finance, mergers & acquisitions, project finance, competition law, business and law, tax law from offices located in İstanbul and İzmir. is Noyan Turunç registered with the İzmir Bar Association and is a member of the American Bar Association and of the International Bar Association.



Muhterem Kaan TERZİOĞLU
Board Member

(Since 30 May 2012)
Muhterem Kaan Terzioğlu is a graduate of Boğaziçi University (Faculty of Economic and Administrative Sciences, Department of Business Administration). Mr Terzioğlu began his career as an auditor and financial consultant at Arthur Anderson & Company. In 1990-2000 he served as a management consultant in Chicago and Brussels in the areas of information technologies, information security, and information management. For the last twelve years he has been undertaking a variety of senior management positions and international responsibilities at Cisco Systems. Muhterem Kaan Terzioğlu is a member of the İstanbul Chamber of Certified Public Accountants and is an accredited CPA.



Uğur Gülen
Board Member and CEO

(Since 01 May 2009)
Having begun his career in 1991, Uğur Gülen worked at various positions at Interbank, Denizbank, Ak Internet and MNG Bank. During 2004-2009, he served at AK Emeklilik AŞ. ve AvivaSA Emeklilik ve Hayat AŞ. as the Assistant General Manager. He has been assigned as the CEO and a Board member at Aksigorta since May 2009. Uğur Gülen took his graduate and master degrees at the Department of Industrial Engineering at Middle East Technical University.

Board of Auditors

İlker Yıldırım

Board Member

(Since 1 March 2012)

İlker Yıldırım served as an auditor on the Turkish finance ministry's Board of Auditors from 1995 to 2007 and as a chief auditor there from 2006 to 2007. He is currently a consultant for Hacı Ömer Sabancı Holding at that company's financial affairs and legal department. İlker Yıldırım is a graduate of Ankara University and holds a degree from the Faculty of Social Sciences (Department of Labor Economics and Industrial Relations).

Şerafettin Karakış

Board Member

(Since 6 May 2010)

Şerafettin Karakış was born in Sivrice in 1972. He graduated from İstanbul University (Faculty of Political Sciences, Department of Public Finance) in 1994. He studied at Sabancı University (Faculty of Management Sciences) in 2007-2008 and completed its Executive MBA program. From 1995 to 2006 he worked as an auditor on the Board of Auditors of Sabancı Holding. Şerafettin Karakış has been serving in the Sabancı Holding Department of Financial Affairs and Finance since 2006.

Board of Directors Summary Report

Dear Shareholders,

Before presenting Aksigorta's 2011 balance sheet and income statement for your consideration and approval, we would first like to touch briefly on the current developments taking place in the world and the Turkish economy, and in the insurance industry.

2012 was a period which marked the continuation of the uncertainty, which was felt across the world after the global crisis hit. While the recovery in global economic activity still fell short of what was hoped, attention also turned to the problems in public finances, especially in developed countries.

While the USA continued to struggle to find a solution to its public finance difficulties, ongoing uncertainty surrounding the outlook in the EU raised the prospect of recession. The problems affecting developed countries had an impact on developing countries, and - regional variations notwithstanding - growth rates across the globe followed a downward course.

The steps and precautions taken to resolve the problems started to have a positive impact on global markets in the final months of the year. The ominous surge in bond yields in the Eurozone was partially brought under control and the risk of deepening of fiscal problems receded. On the other hand, quantitative easing policies undertaken in developed countries to

revive their economies helped to limit stock market losses by supporting the abundance of global liquidity.

The Turkish economy stands at a new juncture on this rocky road. Our country, which maintained a positive decoupling, achieved a soft landing through the planned contraction in the current account deficit. At the same time, inflation fell to its lowest levels for 40-50 years. Fitch's upgrade in November was the cherry on the cake in this bright picture. It is estimated that Turkish economy grew by 3% in 2012.

With increased public awareness of saving and with the support of foreign investment and growing national income, Turkey is expected to achieve economic growth of around 4% in 2013, placing it as one of the fastest growing economies in the world.

The rise in the rate of CPI inflation, to a peak of 11.1% in April 2012, was followed a downward course for the rest of the year, with the rate of CPI inflation ending the year at 6.16%. The annual rate of PPI inflation, on the other hand, came in at just 2.45%.

With the increase in exports and decrease in imports continuing in the fourth quarter, the foreign trade deficit tumbled from USD 10.453bn in 2011 to USD 6.825bn for the 2012 full year. The export/import ratio, which stood at 50.7% at the end of 2011, had improved to 65.6% by December 2012.

The recovery in the foreign trade balance had a positive knock-on effect on the current account deficit. The current account deficit, which had stood at USD 64.9 billion in the ten months between January and October 2011, declined to USD 41.1 billion in the same period of 2012. The current account deficit, which had been a gaping 10% of GDP in 2011, declined to 7.3% of GDP in 2012.

The soft landing in economic growth also affected the insurance sector, as the increase in premium production fell short of the 2011 figures. The sector realized TRL 17 billion of premium production, with 19% growth in non-life insurance premiums.

Aksigorta has successfully maintained its sustainable and profitable growth trend, supported by the powerful synergy generated by the partnership between Sabanci Holding and Ageas. At the end of 2012, our company had attained TRL 1,311 million of premium production (an increase of 15% over the previous year), a technical profit of TRL 55 million (a 48% increase) and a TRL 49 million of net profit (a 52% increase).

2012 was a year where our company reached its targets and realized profitable growth.

Our company, in line with its profitable growth strategy, raised the share of profitable branches in addition to increasing the premium production. The share of non-motor

branches, which are characterized by low penetration and high growth potential, increased from 47% to 51%.

We will increasingly reap the benefit of the transformation projects, the effects of which on technical profitability were clearly seen in the 2012 balance sheet and which have been ably supported by the strong and firm will of our Board of Directors. These developments will create a leverage effect on our technical profitability and our company is poised to demonstrate a remarkable performance in the sector.

We are also aiming to sustain our profitable growth trend, which started in 2009 and gained pace in 2013, and enhance our performance further. In 2013, the main focus of our company - whose main target is profitability - will be to achieve fast growth rates, especially in the banking insurance and non-motor branches, and to achieve greater efficiency in the product and channel mix. We have drawn up our business plans on the basis of generating a return on capital in excess of 10-15%.

As a trusted corporation, our longstanding reputation and popularity in the eyes of our clients are of tremendous value for us. We would like to take this opportunity to express our gratitude to our shareholders and customers for their contributions and their support of our success, which has been brought about with the passion of providing the best service.

Executive Board



Uğur Gülen
Board Member & CEO

(Since 01 May 2009)

Having embarked on his career in 1991, Uğur Gülen worked at various positions at Interbank, Denizbank, Ak Internet and MNG Bank. Between 2004-2009, he served at AK Emeklilik A.Ş. ve AvivaSA Emeklilik ve Hayat A.Ş. as the Assistant General Manager. He has served as the CEO and as a Board Member at Aksigorta since May 2009. Uğur Gülen took his Bachelor and Master degrees at the Department of Industrial Engineering at Middle East Technical University.



Ann Dewaele
Deputy General Manager

(01.03.2012'den itibaren)

Ann Dewaele earned a degree in mathematical sciences from the Catholic University of Louvain (UCL), but also has a diploma in Actuarial Sciences. She began her career within Noordstar in 1991. After that she worked at different positions in Mercator, ING Insurance and in Fortis Insurance until she started to work for AG Insurance, where she took the responsibility of the Health Department, member of the management team of Employee Benefits/ Healthcare. In 2010 she became AG Insurance General Manager of Bank Insurance operations. In 2012 she accepted the assignment from Ageas to assume the role as Deputy CEO of Aksigorta.



Ali Dođdu
Assistant General Manager - Underwriting

(Since 01 November 2009)

Working in the insurance sector since 1993, Ali Dođdu joined Aksigorta in 2007 as the Assistant General Manager responsible for Individual Insurances. He has been serving as the Underwriting Assistant General Manager since November 2009. Until then, he worked at executive positions in various companies in the insurance sector. Ali Dođdu graduated from the Department of Business Administration, Faculty of Political Sciences at Ankara University.



Erkan Şahinler
Assistant General Manager - Finance

(Since 20 October 2008)

Having begun his professional career in the field of independent external audit in 1990, Erkan Şahinler has been serving at executive positions in various companies under Sabancı Holding since 1993. Erkan Şahinler joined Aksigorta in 2008 as the Assistant General Manager responsible for Finance. Erkan Şahinler graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences at Bosphorus University.



Şenol Temel
Assistant General Manager - Bank Insurances

(Since 01 October 2009)

Şenol Temel began his career in 1995 at Interbank. After having served at Garanti Bank and Akbank at various executive positions, he joined Aksigorta in October 2009 as the Assistant General Manager responsible for Bank Insurances. Having completed both Bachelor's and Master's degrees at the Department of Mining Engineering at İstanbul Technical University, he also completed the MBA program at the Department of Contemporary Management Techniques at Marmara University.



Gürsal Gürarda
Marketing Manager

(Since 1 April 2011)

Gürsal Gürarda is a graduate of Yıldız Technical University (Faculty of Industrial Engineering). He received an MBA in marketing at the University of Delaware, after which he began working for New Jersey Enterprise. Upon his return to Turkey he served in brand management positions at Marsa Kraft and the Ülker Group. He was assistant general manager for sales and marketing at Frigo-Pak, a member of the GerberEmig Group, in 2007-2009 and as a marketing manager at Altıparmak in 2009-2012.



Çetin Kolukısa
Assistant General Manager - Agencies
 (Since 18 May 2005)
 Çetin Kolukısa began his career in the insurance sector in 1989. He served as a Technical Manager at Aksigorta between 1994 and 1999. He rejoined Aksigorta in 2005 as the Assistant General Manager responsible for Agencies. Çetin Kolukısa graduated from the Faculty of Economy at İstanbul University. He holds a Master's degree in Econometrics.



Fahri Altıngöz
Assistant General Manager - Corporate Relations, Reinsurance and Corporate Sales
 (Since 19 September 2011)
 Having begun his career at Aksigorta in 1988, Fahri Altıngöz served at various executive positions in a number of companies before he joined Aksigorta in 2005 as the Assistant General Manager responsible for Claims. Serving as the Assistant General Manager at Aksigorta responsible for Corporate Relations, Reinsurance and Corporate Sales, Fahri Altıngöz graduated from the Department of Statistics at the Middle East Technical University.



M. Ayhan Dayoğlu
Assistant General Manager - Claims and Operations
 (Since 19 September 2011)
 M. Ayhan Dayoğlu is a graduate of Yıldız Technical University (Department of Mechanical Engineering), holds a master's degree from the same university's Institute of Sciences and Department of Manufacturing Processes, and has completed the Executive MBA program at Sabancı University. From 1992 to 1998 he served as an after-sales services manager at Boronkay responsible for the DAF Bus and Thermo King product lines. Mr Dayoğlu joined the Sabancı Group (TemSA) in 1998. After serving in management positions with responsibilities for after-sales services and spare parts, he became the company's director of domestic bus marketing, sales, and after-sales services in 2007. M. Ayhan Dayoğlu has been general manager of Tema's Egyptian operations since 2009 and Aksigorta's assistant general manager responsible for claims and operations since 2011.



Melis Aslanağı
Group Manager - Human Resources
 (Since 24 October 2011)
 Melis Aslanağı received a bachelor's degree in psychology from Boğaziçi University. She holds a master's degree in the same discipline from New York University's Department of Organizational Psychology). Mr Aslanağı served as a human resources specialist in Turkey at Arçelik (1996-1997) and at DHL (1997-2001) before joining Avea as a human resources manager in 2001. He remained with that company until 2005, when he was hired into the same position at Abbott. Melis Aslanağı joined Sabancı in 2008 and served as human resources department manager at AvivaSA Emeklilik ve Hayat until 2011.



Ömer Kara
Assistant General Manager - Information Technologies & Strategic Planning
 (18 March 2011-16 January 2013)
 Ömer Kara holds a bachelor's degree from Middle East Technical University (Department of Mechanical Engineering) and an Executive MBA from Chicago University. He began his career as an R&D engineer. From 1994 to 2002 Mr Kara served in a variety of positions at Yapı Kredi Bank's planning & project coordination and corporate marketing divisions. He worked as an assistant general manager responsible for strategy and technology management at AK Emeklilik (2002-2007) and Avivasa (2007-2010). Ömer Kara joined Aksigorta on 1 March 2010 as its director of insurance services and is responsible for coordinating the activities of insurance group companies.

We change our understanding of marketing, and consider people

In the insurance business, which is open to improvement in terms of customer orientation, we at Aksigorta initiate innovation and restructure our marketing department, working to the principle of customer orientation. Accordingly, we have initiated some applications by opening new positions, including the Client Experience position, the Consumer Insight Position and the Market Research Position.



Digital Marketing

Aksigorta utilizes digital channels effectively, and ensures its products are also accessible to customers through these channels.

Home Insurance Fast Offer Project

This application enables Akbank customers to calculate home and housewares insurance premiums and speeds up their insurance processes.



Corporate Governance Principles Compliance Report

1. Corporate Governance Principles Compliance Statement

Aksigorta A.Ş. implements in general terms the "Corporate Governance Principles" issued by the Capital Market Board and discloses any matters not implemented, together with the reason for it, as per the following items:

SECTION 1: SHAREHOLDERS

1.1 Facilitating the Use of Shareholder Rights

In the Company,

Mr. Osman Akkoca, Financial Control Manager

Tel: (0212) 393 45 08

Fax: (0212) 245 16 87

E-mail: osman.akkoca@aksigorta.com.tr

is in charge of relations with the shareholders.

The Investor Relations has the duty to carry on the relations with the shareholders. As part of its duty, the Investor Relations held face to face talks with institutional investors 32 times at the head office of the Company and at 2 conferences at home, totaling 28 times, and total 19 times at 3 conferences in abroad in 2012 to exchange information about the Company and the insurance industry. 91 talks were made by phone with corporate shareholders and received questions were answered. 45 electronic mails received from the shareholders were answered.

1.2 Right to Obtain Information and to Inspect

Requests of the shareholders and investors for information of any kind which is not in nature of a trade secret and which has been already disclosed to public are considered and fulfilled by the Shareholder Relations carefully and unerringly in a manner so as to reflect the whole truth in a short time.

215 information requests received from shareholders by phone, electronic mail and personal contact were answered in 2012. Information disclosed to public and concerns the rights of the shareholders is published on the web site of the Company at www.aksigorta.com.tr. In addition, any developments that may affect the use of the shareholder rights are regularly disclosed through the İstanbul Stock Exchange (ISE). Any matters deemed important are notified to investors and analysts by electronic mail. The Articles of Association of the Company does not give the right to appoint a special auditor. No request was received in this regard in 2012.

1.3 Right to Attend the General Meeting

The annual General Meeting was held in 2012. Before the General Meeting, the date, place and agenda of the meeting was notified through the Trade Register Gazette, a national newspaper, web site of the Company and the ISE and by electronic mails sent to registered investors and analysts. There isn't a period for attendance of holders of nominative shares registered in the share register at the General Meeting. The annual report also containing the audited figures of 2012 was made available to examination of the shareholders at the head office of the Company at latest 21 days before the General Meeting.

The Annual General Meeting was held on 30.05.2012. At the meeting, the Annual Report of the Board of Directors, the Report of the Auditors, the Balance Sheet and the Profit/Loss Reports were read and discussed. Donations made over the year were informed to the shareholders. The Members of the Board of Directors and the Auditors were released. Changes in the Board of Directors were approved. The Independent External Audit Company chosen by the Board of Directors was submitted to the approval of the General Meeting.

The shareholders didn't use their right to ask questions during the General Meeting, and no recommendation was submitted other than the items of the agenda. Resolutions of significant nature as provided in the Turkish Commercial Code are submitted to the approval of the shareholders at the General Meeting. Once legal compliance of the Corporate Governance Principles has been achieved, all resolutions of significant nature as provided in amended laws will be submitted to the approval of the shareholders at the General Meeting. Minutes of the General Meetings are published on the Internet site of the Company at www.aksigorta.com.tr.

1.4 Voting Right

The Articles of Association does not provide preemptive voting right. The Articles of Association does not provide cumulative voting right based on the current shareholding rates and shareholding structure for fear that it would mar the harmonious management structure of the Company. Once this matter has been regulated by relevant laws and abuse of cumulative voting right by the minority shareholders has been prevented, the matter will be considered by the General Meeting.

1.5 Minority Rights

There isn't any regulation in the Articles of Association regarding the minority rights. There isn't a representative of the minority shareholders in the Board of Directors appointed by the General Meeting.

1.6 Right to Profit Share

There isn't any privilege regarding participation in the profit of the Company. Method and timing of profit distribution are specified in the articles 61, 63 and 68 of the Articles of Association.

Based on our Corporate Governance Principles, the profit distribution policy of the Company provides that the compulsory dividend which must be distributed as per the current rules of the Capital Market Board and the rules of distribution of dividends and gratis shares established by the meeting of the Capital Market Board, dated 27.02.2006, no. 4/67, is to be paid in cash and/or distributed as gratis shares. The Company has been fulfilling the profit distributions within the statutory times.

The profit distribution policy of the Company is to distribute cash dividend at the minimum rate of 50% of the distributable profit. The dividend policy is reviewed by the Board of Directors every year according to the national and global economic conditions, the projects in the agenda and the standing of the funds.

The profit distribution policy explained above in this regard was submitted to the information of the shareholders at the General Meeting.

1.7 Transfer of Shares

Transfer of publicly held shares is possible (by blank endorsement). For transfer of non-publicly held shares, provisions of the Capital Market Law apply. Pursuant to the Regulation on the Principles Applicable to Establishment and Working of Insurance and Reinsurance Companies, direct or indirect acquisition of shares which will result in owning of ten percent, twenty percent, thirty percent, thirty three percent or fifty percent or more of the capital of an insurance company and a share transfer by which the rate of shares owned by one shareholder reaches or decreases below any of the aforesaid rates are subject to permission of the Undersecretariat of Treasury of the Prime Ministry of Turkey.

Corporate Governance Principles Compliance Report

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Principles and Tools of Public Disclosure

The Information Policy adopted by the Board of Directors of the Company as per the Corporate Governance Principles of the Capital Market Board is available in the Investor Relations page of the web site of the Company. The General Manager Uğur GÜLEN and the Assistant General Manager Erkan ŞAHİNLER are responsible for enforcement of the information policy.

2.2 Internet Site

The Company has an Internet site at the following address:

www.aksigorta.com.tr

The information cited in the item 1.11.5 of the Section II of the Corporate Governance Principles of the Capital Market Board is available under the "Investor Relations" heading on the Internet site. Under this heading, there are a number of pieces of information such as

- Current shareholding structure is given under the caption of "Shareholding Structure";
- Privileged shares under the caption of "Privileged Shares";
- Current management structure under the caption of "Board of Directors";
- Latest version of the Articles of Association under the caption of "Articles of Association";
- Trade registration details under the caption of "Trade Registration Details";
- Periodic financial statements and reports under the caption of "Financial Data";
- Annual reports under the caption of "Annual Reports";
- Agendas of the General Meetings under the caption of "General Meeting Agendas";
- List of present shareholders and minutes of General Meetings under the caption of "General Meetings List of Present Shareholders";
- Form of proxy under the caption of "Voting by Proxy";
- Special situation disclosures under the caption of "Special Situation Disclosures";
- Requests for information and frequently asked questions received by the Company and answers given to them under the caption of "Frequently Asked Questions"; and in addition,
- Communication points to be used for relations with shareholders and investors under the caption of "Investor Relations Communication".

2.3 Annual Report

The Company submits the requirements of the Corporate Governance Principles in the Annual Report to the information of the shareholders. The Annual Report ensures that the public will have access to complete and accurate information about the operations of the Company.

SECTION 3: STAKEHOLDERS

3.1 Company's Policy on Stakeholders

Employees of the Company are informed through meetings, seminars and training courses and with information sent via the portal application and the Internet in their fields of specialty and on the issues they are involved in in general.

Our distribution channels are informed about the practices and procedures of the Company through announcements made by means of circulars published on the web site of the Company at www.aksigorta.com.tr under the page of "Special to Agents", as well as traditional and regional agent meetings, preliminary and technical training sessions and via electronic mails periodically.

3.2 Supporting Participation of Stakeholders in the Management of the Company

Participation of the employees in the management is ensured through periodic meetings. The monthly executive meeting is attended by executives from the regions and the departments. Meetings held at the departments tend to support the executive meetings. In addition, information about the practices, policies and targets is transmitted to all employees in groups and views of the employees are received through information exchange meetings, so that their participation and contribution needed for efficient management of the Company is ensured.

Annual performance assessment meetings are held with the employees. In the meetings, the employees are given feedback about their performance and the opportunity to express their views and expectations.

Through the regional agency meetings, developments in the insurance industry and the changing competition environment are shared with the agents. In these meetings, through the practice of Free Platform, the agents who come together with local and central executive units express their current problems. In this way, Aksigorta receives feedback about the current policies and takes into account the views of the agents in the establishment of the strategies of the Company.

3.3 Human Resources Policy of the Company

Human resources policies of the Company are managed in accordance with the vision, mission and values of the Company. In order to achieve the targets of the Company, an organizational planning congruent with the strategies of the Company and working with employees who know the values of the Company and behave in accordance with these values are fundamental.

By means of internal promotion, target-oriented efficient performance management, development activities meeting the long term development needs and social clubs and events, the Company aims at raising the motivation and productivity of the employees.

Behaviors expected from the employees in accordance with the vision, mission and values have been communicated under the name of "Catalogue of Competencies" to the employees of the Company. Just like the targets, the competencies, too, are a part of the annual performance assessment. By means of 360 degrees assessment, behavior-based interviews and central development and assessment applications, strengths and development areas of the employees are identified, and the development programs of the Company are established in line with this.

Carrying out the relations with the employees is one of the primary responsibilities of the executives. The executives are closely concerned with the problems of their subordinates and follow their development opportunities.

Creation and maintenance of a fair working environment is one of the fundamental ethical values of the Company.

Corporate Governance Principles Compliance Report

3.4 Relations with Clients and Suppliers

Having adopted the provision of quality service in accordance with its vision, mission and values by giving particular importance to customer satisfaction as its quality policy as a powerful, respectable and reliable company in the industry together with its agents, employees and suppliers, the Company established the quality assurance system and obtained the BS EN 9001:1994 Quality Standard Certificate from BVQI (Bureau Veritas Quality International) in 1998. From 1998 on, system continuity and certification has been ensured and the ISO 9001:2008 Quality Management System certification has been renewed to be valid until July 2, 2013. The Company continues to provide quality service to its clients, business partners, stakeholders and employees.

Introduced in 2002 with the idea of client focused service, Aksigorta Service Center is continuing to provide services across Turkey on 24/7 basis.

Aksigorta Service Center is an important point of application for clients regarding insurance and emergencies. The claim process begins at Aksigorta Service Center, which, through outbound calls, supports the clients throughout the claim process. Services provided by Aksigorta Service Center are also provided via the Internet site of the Company, and the clients can have access to all information about the claim files and the policies uninterrupted. Complaints of the clients about our services are recorded by all distribution channels of ours and durations of solving of problems and client satisfaction are tracked by means of a special software program

Satisfaction of the clients from our services is measured and tracked regularly through outbound calls made by Aksigorta Service Center.

In line with the "Client Relations Policy" established with a view to solving the complaints and fulfilling the requirements of the clients, raising the level of the quality standards more and providing better service and creating a difference in the industry, the Company obtained the "ISO 10002:2004 Customer Satisfaction and Guidelines on Complaints Handling in Organizations" quality certificate in 2009. Foundation stones of our Client Relations Policy are as follows:

Transparency: Members of Aksigorta family can submit their complaints, requests and questions in an accurate, complete and understandable manner easily at any time they wish. All communication channels of ours are open to you.

Accessibility: Members of Aksigorta family can reach us for their complaints, requests and questions through our Service Center at phone number 444 27 27 and other communication channels of ours on 27/4 basis.

Answerability: Members of Aksigorta family can find answers to their complaints, requests and questions through "Aksigorta Service Center" in a short time.

Objectivity: Complaints, requests and questions received from the members of Aksigorta family on any matter are handled fairly and without prejudice.

Fee: No fee is charged for handling and solving of any complaints, requests and questions received from the members of Aksigorta family on any matter.

Confidentiality: Protection of personal data has been extremely important since the very date of establishment of Aksigorta. For this reason, your personal data entrusted to us are kept confidential at all times.

Client Focus: Efficient, realistic and applicable solutions are offered to the members of Aksigorta family who always deserve the best and their needs are fulfilled and their rights protected at all times.

Accountability: Complaints, requests and questions of the members of Aksigorta family are recorded, and our decisions always include the reasons in order to render the best service to you.

Continuous Improvement: As one of the most powerful companies of the insurance industry, Aksigorta make improvements in insurance services continuously and continue its investments uninterruptedly in order to provide better service to the members of Aksigorta family and to direct them properly.

Fast and Efficient Solution: Aksigorta introduces innovations to the insurance industry in order to generate fast and efficient solutions in line with the needs of the members of Aksigorta family.

Professionalism: Aksigorta offers the best service through its specialist complaint handling staff to the members of Aksigorta family.

3.5 Ethical Rules and Social Responsibility

At the Company, business ethic rules have been established and published. The employees are informed about the business ethic rules at the very beginning of their job, and refreshment training on business ethics is provided regularly every year. There is an Ethic Rule Consultant within the organization of the Company, and all stakeholders can apply to him about their recommendations, complaints and questions involving the ethical rules. The business ethic rules applicable to Sabancı Holding and its subsidiaries are disclosed to public via the Internet site of the Holding Company.

The fact that risk and insurance awareness is at very low level indicates that it is necessary to raise the awareness of the public about the insurance products in the first instance in order to develop the insurance industry. In all corporate social responsibility activities and all events conducted, Aksigorta focuses on raising the risk and insurance awareness in all segments of the society, primarily among children and women, against fatalistic mentality of the Turkish people. For Aksigorta, which has targeted to add plus value to the society by realizing many awareness rising and education projects since the very date of its establishment, Social Responsibility is one of the most important constituents of the corporate culture.

In cooperation with AKUT, the Search and Rescue Society, which is one of the most efficient non-governmental organizations of Turkey in the field of natural disasters and search and rescue operations, Aksigorta launched in 2010 the project called "Hayata Devam Türkiye" [Keep Living Turkey] which is a traveling educational project comprising Turkey's first 3G-Force Earthquake Simulator which travels all over Turkey with the aim of creating and raising awareness of natural disasters. The project, which aims at creating and raising the awareness of Turkish people about the insurance and has been planned to last 5 years, has completed the first three years. The project "Keep Living Turkey", which visited 30 provinces and 100-150 sub-provinces in three years, will start its 4th phase in April 2013 and visit 10 provinces and 50 sub-provinces on its itinerary and keep informing the Turkish people. With this project, Aksigorta won the best project prize in the Corporate Responsibility - Education category under which 18 projects competed under the organization of Altın Pusula Ödülleri 2011 [Golden Compass Awards] held by Türkiye Halkla İlişkiler Derneği [Turkey Public Relations Society]

Apart from the project "Keep Living Turkey", another project of Aksigorta is YADEM, the Fire and Earthquake Education Center. YADEM, which has been built with the support of the late Sakıp Sabancı entirely with the Turkish technology and which is a rare example of its kind in the world, was established in 1996, before the Marmara Earthquake in 1999. In the center, which has the "best" quality according to the level of technology in those years, the fire and earthquake simulators built on advanced technology are introduced to the children as a first application of its kind. Aksigorta donated YADEM, where 15,000 children at age 7-14 receive training by means of simulations each year, to the Science Center of Şişli Municipality in 2006 in order to offer the services of the center to a wider public.

While carrying its long-standing past to future, Aksigorta believes that its responsibility is great. Thinking that the priority is to realize sustainable projects which will cultivate risk awareness in education and society, Aksigorta has placed its current projects in this field, the essence of which is education, on a long term platform. Aksigorta will continue to realize different projects which will contribute to upbringing of generations with sound awareness about natural disasters and insurance.

Corporate Governance Principles Compliance Report

SECTION 4: BOARD OF DIRECTORS

4.1 Function of the Board of Directors

Members of the Board of Directors of the Company and their functions are as follows:

Haluk DİNÇER, Chairman of the Board
Bart Karel A De SMET, Vice Chairman of the Board
Hayri ÇULHACI, Member of the Board
Muhterem Kaan TERZİOĞLU, Member of the Board
Noyan TURUNÇ, Member of the Board
Seyfettin Ata KÖSEOĞLU, Member of the Board
Stefan Georges Leon BRAEKEVELDT, Member of the Board
Uğur GÜLEN, Member of the Board and General Manager

Members of the Board of Directors have been elected for an office term of three years.

Members of the Board of Directors have been granted by the resolution of the General Meeting the right to execute transactions as per the articles 334 and 335 of the Turkish Commercial Code.

4.2 Working Principles of the Board of Directors

Right of administration and representation powers of the Board of Directors of the Company are defined in the Articles of Association. Powers and responsibilities of the executives, however, have not been addressed in the Articles of Association. However, these powers and responsibilities have been established by the Board of Directors of the Company.

4.3 Structure of the Board of Directors

Structure of the Board of Directors and qualifications of its Members fulfill the relevant principles in the Corporate Governance Principles of the Capital Market Board. The Articles of Association does not specify the minimum qualifications required from the Members of the Board of Directors. However, the Insurance Law No. 5684 specifies the qualifications required from the Members of the Board of Directors.

4.4 Form of Meetings of the Board of Directors

The Board of Directors of the Company held 17 meetings in total in 2012 by obtaining written consents in pursuance of the provisions of the Turkish Commercial Code and the Articles of Association. Attendance in person of the members without an excuse at the meetings of the Board of Directors held in 2012 was ensured.

Agenda of the meetings of the Board of Directors of the Company is established after discussion of the Chairman with the current Members of the Board of Directors. The established agenda and the contents of the issues in the agenda are sent by the General Manager to the Members of the Board of Directors 1 week before the meeting in order to enable them to make the necessary examinations and works. At the meetings held in 2012, no different opinion against the resolutions taken was expressed by the Members of the Board of Directors.

4.5 Committees Formed within the Body of the Board of Directors

Committees of the Board of Directors

Audit Committee:

The Audit Committee, which is responsible for assisting the Board of Directors in its audit and supervision activities, is in charge of operation and adequacy of the internal systems and the accounting and reporting systems.

Members:

Noyan TURUNÇ - Chairman (Independent Member of the Board)

Muhterem Kaan TERZİOĞLU - Member (Independent Member of the Board)

Corporate Governance Committee:

The Corporate Governance Committee has been established with the aim of performance of the duties and responsibilities of the Board of Directors in a sound manner. The Corporate Governance is a governance process of Aksigorta A.Ş. targeting a sustainable success based on ethical rules, responsible toward internal and external parties, having risk awareness, being transparent and responsible in its decisions, observing the interest of its stakeholders in compliance with the Corporate Governance Principles established by the Capital Market Board.

Objective of the Corporate Governance Committee is to propose recommendations to the Board of Directors with a view to ensuring compliance of the corporate governance principles of Aksigorta A.Ş. with the Corporate Governance Principles established by the Capital Market Board and other internationally recognized corporate governance principles, ensuring implementation of these principles and monitoring the compliance of the Company with these principles and carrying out improvement works on such matters.

Members:

Muhterem Kaan TERZİOĞLU - Chairman (Independent Member of the Board)

Stefan Georges Leon BRAEKEVELDT - Member

Duties of the Candidate Nomination Committee, the Early Detection of Risk Committee and the Salary Committee are carried out by the Corporate Governance Committee as well.

4.6 Financial Rights Provided to the Members of the Board of Directors and the Top Executives

The "Policy on Determination of Remunerations and Salaries of Members of the Board of Directors and Top Executives" which sets forth the principles applicable to determination of the remunerations and salaries payable to the Members of the Board of Directors and the top executives of the Company was submitted to the information of the shareholders, and the opportunity to express views on this matter was given to the shareholders, at the general meeting held on May 30, 2012.

Remunerations, salaries and similar benefits paid to the Members of the Board of Directors and the top executives in 2012 are disclosed collectively to public in the footnotes to the financial statements.

Information About Transactions the Company Enters Into With Members of its Own Risk Group

Under article 199 of the Turkish Commercial Code (Statute 6102), which went into force on 1 July 2012, the Board of Directors of Aksigorta AŞ is required, within three months of the end of its fiscal year, to draw up a report about any dealings the company had with its controlling shareholder or with any affiliates of its controlling shareholder during the fiscal year just ended and to include the conclusions of that report in its annual report. The required statements about Aksigorta AŞ's related-party transactions are presented in footnote 45 to the financial statements.

The conclusion reached in the report dated 1 March 2013 prepared by the Board of Directors of Aksigorta AŞ is, to the best of the board's knowledge of the circumstances and conditions at the time that a transaction took place or a measure was taken or refrained from, in each and every transaction which Aksigorta AŞ entered into with its controlling shareholder or with any of the affiliates of its controlling shareholder during 2012, that an appropriate mutual performance was achieved, that there were no measures taken or refrained from which might have caused the company to suffer a loss, and that there were no such transactions or measures whose consequences need to be offset.

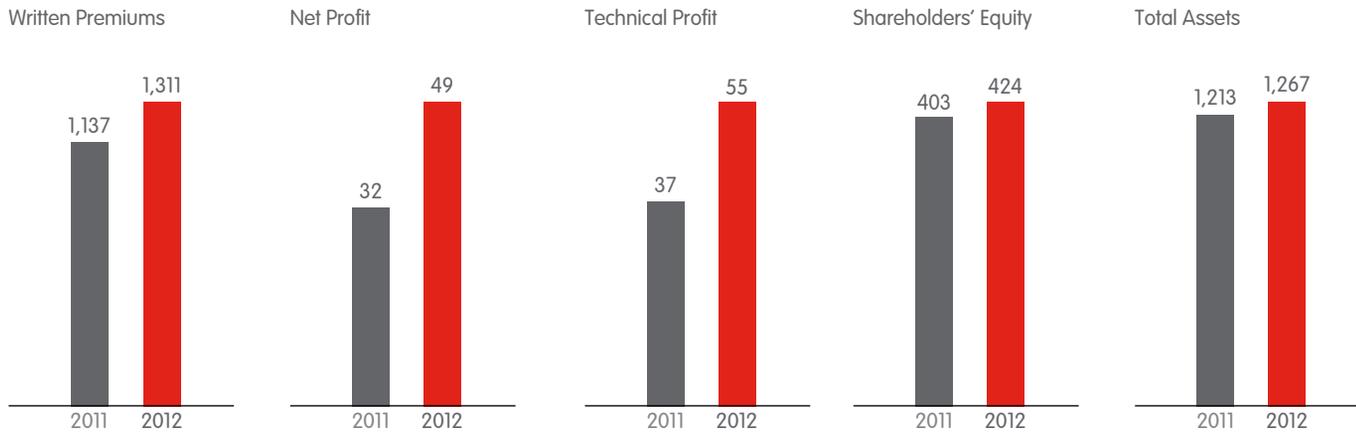
Financial Information and Risk Management

Financial Position, Profitability and Solvency

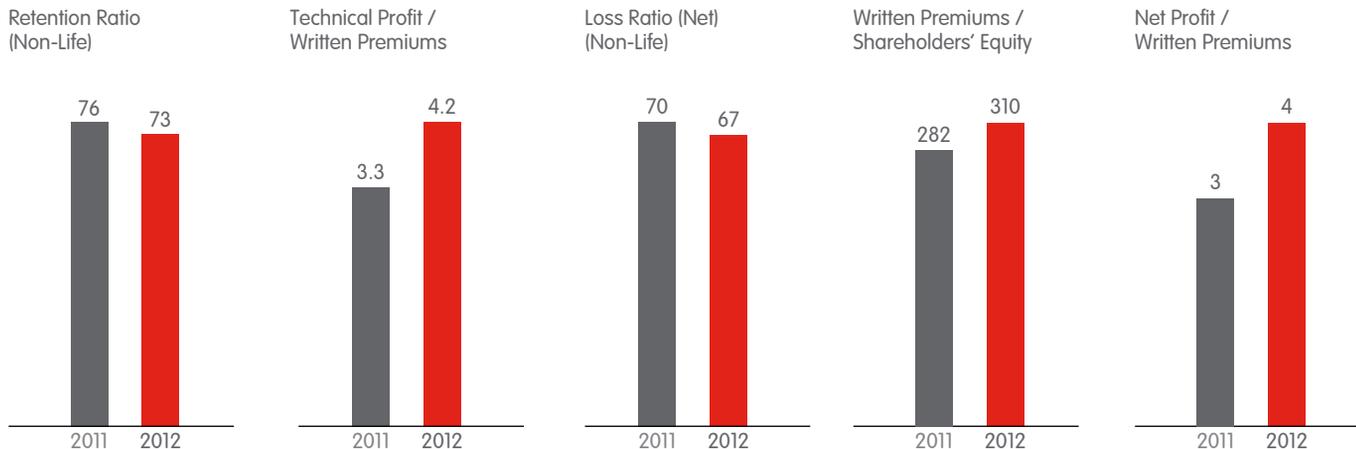
With a solid financial structure that included TRL 424 million worth of shareholders' equity at end-2012, Aksigorta is one of the leading companies in the Turkish insurance sector.

Continuing to grow upon sustainable profitability, Aksigorta completed the year successfully with TRL 1,311 million in premium production and a net profit of TRL 49 million.

Financial Indicators (TL million)



Financial Ratios (%)

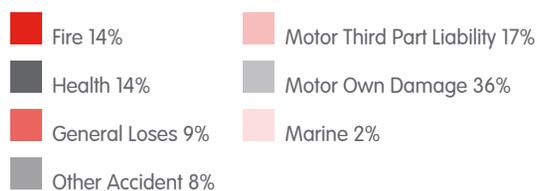
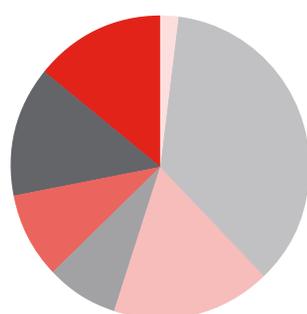


Financial Information and Risk Management

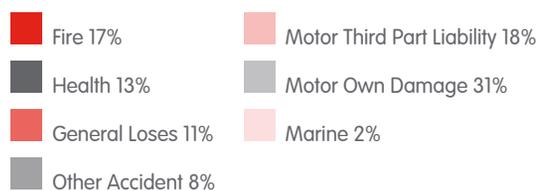
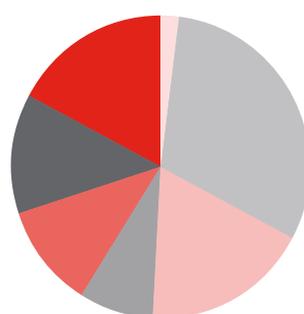
In 2012, the Company increased its premium production from TRL 1.137 million to TRL 1.311 million. A breakdown of premiums by business lines during the most recent two years is shown below;

| (TRL Thousand) | Premiums Written | | | Distribution (%) | |
|----------------------------|------------------|------------------|-------------|------------------|--------------|
| | 2011 | 2012 | Change (%) | 2011 | 2012 |
| Fire | 158,857 | 220,457 | 38.8 | 14.0 | 16.8 |
| Marine | 23,231 | 23,918 | 3.0 | 2.0 | 1.8 |
| Motor Own Damage | 406,039 | 405,387 | -0.2 | 35.7 | 30.9 |
| Motor Third Part Liability | 196,867 | 237,168 | 20.5 | 17.3 | 18.1 |
| Other Accident | 95,300 | 110,339 | 15.8 | 8.4 | 8.4 |
| General Loses | 101,199 | 140,372 | 38.7 | 8.9 | 10.7 |
| Health | 155,096 | 173,635 | 12.0 | 13.6 | 13.2 |
| Total | 1,136,590 | 1,311,276 | 15.4 | 100.0 | 100.0 |

2011 Premium Portfolio Distribution



2012 Premium Portfolio Distribution

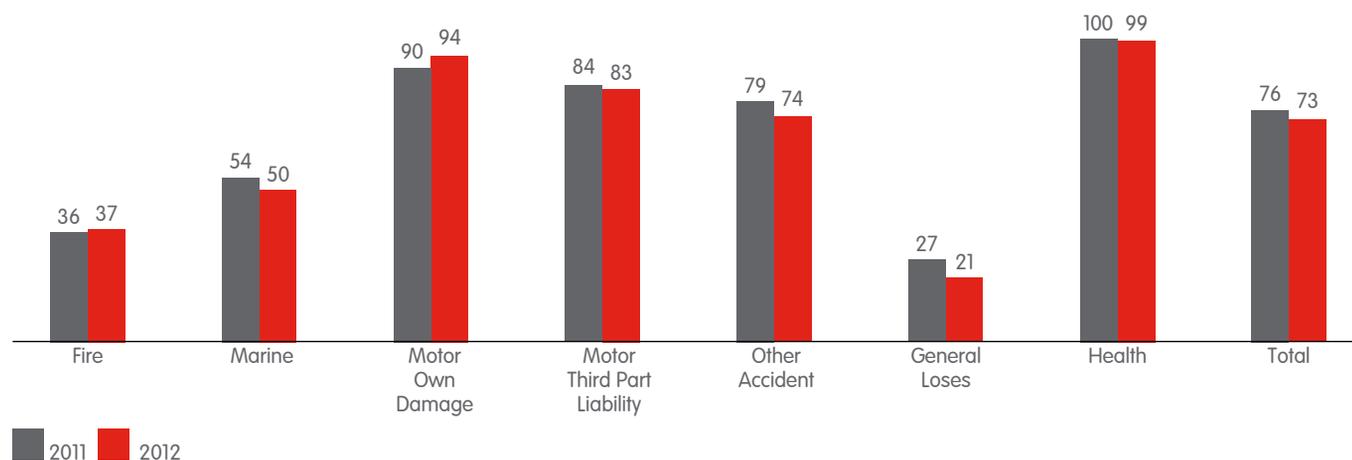


As of end-2012, 27% of generated premiums had been transferred under treaty and facultative reinsurance agreements while the remaining 73% (amounting to TRL 956 million in value) were retained by the Company.

The charts below show the amounts and relative percentages of produced premiums that were retained by the Company during the most recent two years, broken down by business line.

| (TRL Thousand) | Retained Premiums | | Retention Ratio (%) | |
|----------------------------|-------------------|----------------|---------------------|-----------|
| | 2011 | 2012 | 2011 | 2012 |
| Fire | 57,680 | 81,900 | 36 | 37 |
| Marine | 12,490 | 11,840 | 54 | 50 |
| Motor Own Damage | 367,012 | 381,165 | 90 | 94 |
| Motor Third Part Liability | 165,675 | 197,752 | 84 | 83 |
| Other Accident | 75,652 | 81,295 | 79 | 74 |
| General Loses | 27,621 | 29,721 | 27 | 21 |
| Health | 156,178 | 172,760 | 100 | 99 |
| Total | 862,307 | 956,433 | 76 | 73 |

Retention Ratio (%)



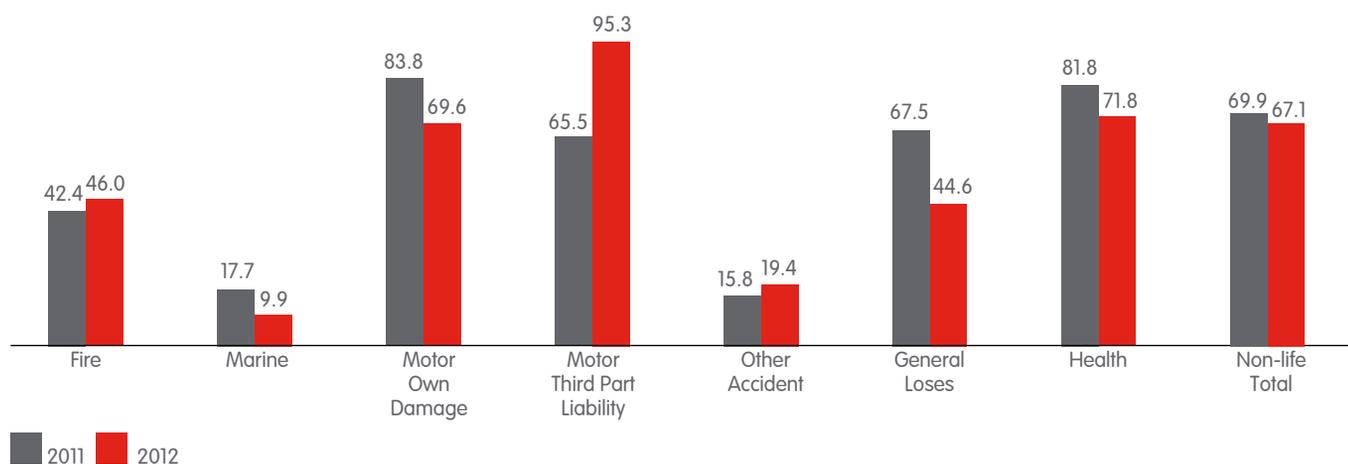
Financial Information and Risk Management

As of end-2012, Aksigorta retained TRL 904 million worth of the premiums which it had earned in the non-life branch while the Company's share of incurred non-life claims amounted to TRL 607 million.

As of the same date, the ratio of incurred non-life claims to earned premiums (net) was 67%. The charts below show the amounts and relative percentages of the Company's incurred claims and earned premiums during the most recent two years, broken down by business line;

| (TRL Thousand) | Claims Incurred (Net) | | Earned Premiums (Net) | | Claims Incurred / Earned Premiums (Net) (%) | |
|----------------------------|-----------------------|----------------|-----------------------|----------------|---|-------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Fire | 21,450 | 30,716 | 50,564 | 66,819 | 42.4 | 46.0 |
| Marine | 2,195 | 1,196 | 12,423 | 12,024 | 17.7 | 9.9 |
| Motor Own Damage | 273,104 | 260,545 | 325,949 | 374,413 | 83.8 | 69.6 |
| Motor Third Part Liability | 94,049 | 169,293 | 143,506 | 177,626 | 65.5 | 95.3 |
| Other Accident | 10,360 | 16,138 | 65,624 | 83,001 | 15.8 | 19.4 |
| General Loses | 15,483 | 12,785 | 22,934 | 28,685 | 67.5 | 44.6 |
| Health | 121,351 | 116,335 | 148,338 | 161,961 | 81.8 | 71.8 |
| Non-life Total | 537,993 | 607,009 | 769,337 | 904,529 | 69.9 | 67.1 |

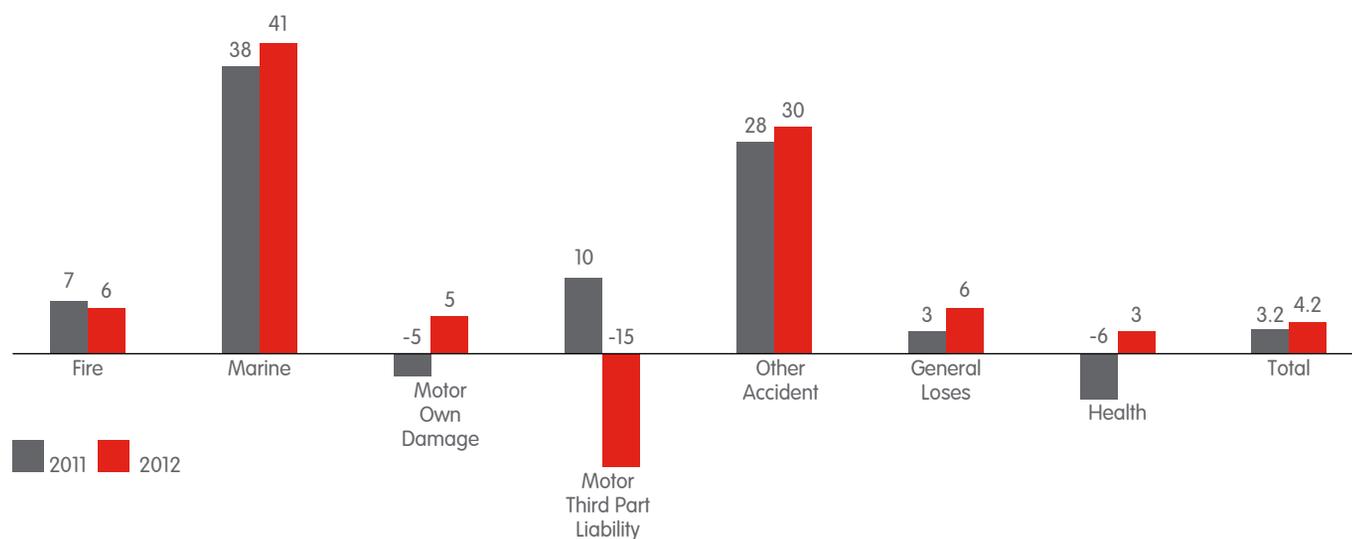
Claims Incurred / Earned Premiums (Net) (%)



At end-2012, Aksamorta showed a total technical profit amounting to TRL 55 million. The charts below show the amounts and relative percentages of the Company's technical profit during the most recent two years, broken down by business line:

| (TRL Thousand) | Technical Profit | | Total Technical Profit / Premiums Written (%) | |
|----------------------------|------------------|---------------|--|------------|
| | 2011 | 2012 | 2011 | 2012 |
| Fire | 10,697 | 14,241 | 6.7 | 6.5 |
| Marine | 8,815 | 9,749 | 37.9 | 40.8 |
| Motor Own Damage | -21,776 | 20,713 | -5.4 | 5.1 |
| Motor Third Part Liability | 19,295 | -36,635 | 9.8 | -15.4 |
| Other Accident | 26,690 | 32,940 | 28.0 | 29.9 |
| General Loses | 2,741 | 7,970 | 2.7 | 5.7 |
| Health | -9,703 | 5,717 | -6.3 | 3.3 |
| Total | 36,759 | 54,694 | 3.2 | 4.2 |

Total Technical Profit / Premiums Written (%)



Financial Information and Risk Management

In 2012 Aksigorta earned TRL 71 million investment income in addition to the earnings generated by its insurance business activities. The Company's investment income during the most recent two years is shown below:

| (TRL thousand) | Investment Income | | |
|-----------------------------------|--------------------------|---------------|-------------------|
| | 2011 | 2012 | Change (%) |
| Foreign Exchange Gain | 14,313 | 8,883 | -37.9 |
| Dividend Income from Participants | 0 | 0 | 0.0 |
| Income From Financial Investment | 42,986 | 59,430 | 38.3 |
| Real Estate Income | 265 | 299 | 13.1 |
| Income from Derivatives | 0 | 1,739 | |
| Other Investments' Income | 41 | 6 | -86.1 |
| Total | 57,604 | 70,358 | 22.1 |

Based on all of these technical and financial results, Aksigorta booked a profit before tax of TRL 63 million and a net profit less tax and other legal obligations in the amount of TRL 49 million.

The Company's shareholders' equity amounted to TRL 424 million at end-2012. Breakdown of shareholders' equity items during the most recent two years are shown below:

| (TRL million) | Shareholders' Equity Structure | | |
|-----------------------------------|---------------------------------------|-------------|-------------------|
| | 2011 | 2012 | Change (%) |
| Paid in Capital | 306 | 306 | 0.0 |
| Nominal Capital | 306 | 306 | 0.0 |
| Capital Restatement Differences | 0 | 0 | 0.0 |
| Profit and Capital Reserves | 63 | 67 | 6.6 |
| Previous Years Income | 2 | 2 | 0.0 |
| Net Profit of the Period | 32 | 49 | 52.0 |
| Total Shareholders' Equity | 403 | 424 | 5.2 |

At end-2012, Aksigorta's principal investments amounted to TRL 109 million in value. Developments in the Company's investments during the most recent two years are shown below:

| (TRL thousand) | Investments | | Change (%) |
|---|--------------------|----------------|-------------------|
| | 2011 | 2012 | |
| Financial Assets and Investments with Risks on Policy Holders | 71,120 | 40,128 | - 43.6 |
| Affiliates | 30,117 | 30,117 | 0.0 |
| Properties | 39,691 | 39,691 | 0.0 |
| Total Investments | 140,928 | 109,936 | - 22.0 |

Aksigorta's financial statements at end-2012 showed a total of TRL 30.2 million as equity participations. The Company's equity shares and their book values are shown below:

| Subsidiaries | Equity Share (%) | 2012 Year-end |
|-----------------------|-------------------------|----------------------|
| (TRL thousand) | | |
| Merter BV | 25,00 | 30.117 |

Summary Financial Indicators

| FINANCIAL FIGURES (TRL million) | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|-------------|-------------|-------------|-------------|
| Written Premiums | | | | | |
| Claims Paid | 829 | 851 | 886 | 1,137 | 1,311 |
| Technical Profit | 388 | 448 | 449 | 540 | 608 |
| Profit Before Tax | 4 | 17 | 22 | 37 | 55 |
| Net Profit | 55 | 35 | 9 | 38 | 63 |
| Paid in Capital | 52 | 35 | 1 | 32 | 49 |
| Shareholders' Equity | 434 | 434 | 306 | 306 | 306 |
| Total Assets | 1,795 | 2,669 | 372 | 403 | 424 |
| | 2,387 | 3,280 | 1,033 | 1,213 | 1,267 |
| CAPITAL SOLVENCY RATIOS (%) | | | | | |
| Written Premiums / Shareholders' Equity | | | | | |
| Shareholders' Equity / Total Assets | 46.2 | 31.9 | 238.5 | 282.2 | 309.6 |
| Capital Adequacy Ratio | 75.2 | 81.4 | 36.0 | 33.2 | 33.4 |
| | 493.4 | 395.0 | 159.1 | 146.5 | 166.7 |
| OPERATIONAL RATIOS (Non-Life) (%) | | | | | |
| Retention Ratio | | | | | |
| Loss Ratio (Net) | 58.8 | 64.3 | 71.7 | 75.9 | 72.9 |
| Combined Ratio | 88.9 | 82.2 | 74.5 | 69.9 | 67.1 |
| | 112.9 | 106.5 | 101.6 | 99.0 | 98.1 |
| PROFITABILITY RATIOS (%) | | | | | |
| Technical Profit / Written Premiums | | | | | |
| Profit Before Tax / Written Premiums | 0.4 | 1.9 | 2.5 | 3.3 | 4.2 |
| Net Profit / Written Premiums | 6.6 | 4.1 | 1.0 | 3.3 | 4.8 |
| Return on Equity | 6.3 | 4.1 | 0.2 | 2.8 | 3.7 |
| Sermaye Kârlılığı (RoE) | 2.3 | 1.6 | 0.1 | 8.3 | 11.8 |

Risk Management and Internal Control System

Aksigorta Risk Taxonomy

The Risk Taxonomy is divided into four broad categories:

- Insurance Risk
- Financial Risks
- Operational Risks
- Strategic Risks
- External Risks

Insurance Risks

Insurance risks results from miscalculated premium charges, inaccurate cost and cancellation assumptions at underwriting phase and fluctuations in the amounts and timings of claims. For a non-life insurance company, the major insurance risk is being unable to meet expected claims by collected premiums. The sources of insurance risk can be categorized as Catastrophic events such as earthquakes and heavy storms that occurs all of a sudden with huge impacts and the events with long term effects and consequences that appeared in time like fluctuations in the inflation and changes in people's activities.

There are many different types of risks in Insurance activities. Therefore Aksigorta has established the required systems in order to manage company's core business risks effectively. The Company classifies its insurance risks in the following way:

- Underwriting risk
- Product management risk
- Reinsurance-related risks
- Concentration risk
- Claims management risk.

The above quoted risks are managed with Actuarial Department support whenever it is required by the technical units of the Company. In addition, technical reserves (assets that intended to cover its obligations arising from company's insurance activities) are also classified among its financial risks and monitored by Aksigorta's actuarial and risk management units.

Operational Risks

Every single company including insurance companies are exposed to operational risks such as insufficiently controlled processes and systems, human error, lack of compliance with government regulations, and external operational risks.

Operational risks are among the risks which a company must identify, measure, and manage as part of its overall risk management activities. In Aksigorta, operational risks are managed by the appropriate units of the company in coordination with its internal audit, internal control, and risk management units.

Strategic Risks

Strategic risks arise from Aksigorta's strategy-planning and corporate governance activities which might have an impact on the company's ability to carry out its existing business plans and/or to achieve its growth and value-creation targets. Strategic risks are identified, quantified, and managed by strategy planning departments under the oversight of senior management.

Risk Management and Internal Control System

External Risks

External risks are risks that arise from the various extrinsic contexts in which Aksigorta conducts its business. These risks consist of:

- Regulatory risk
- Economic, political and social risk
- Competition risk
- Sectoral risk.

Although it is not easy for the company to control external risks, it is always possible to take measures against them. Aksigorta takes such measures to minimize the impact of external risks and also utilizes required systems when necessary to keep a close watch on such risks.

The risk management unit has established to manage possible risk exposures and continued to perform its functions in 2012. Aksigorta deals with its risks through a comprehensive and systematic assessment process within the framework of risk management system.

Risks are measured and analyzed both quantitatively and qualitatively to identify causes of the risks and priority of them. For key risks, risk appetite and limits are identified to determine the amount of risk that the company willing to take and then action plans are developed accordingly. In 2012 Aksigorta Risk Management Unit worked together with all other units (risk owners) to assess risks at regularly. Identified risks were classified according to Aksigorta Risk Taxonomy and examined by considering risk appetite and limits. Consequently the Aksigorta Risk Map was updated and risks were prioritized by Impact/Probability Scale. These risks will be monitored throughout 2013 and pre-defined actions plans will be implemented when necessary.

The results of risk assessments and risk-related developments are reported regularly to senior management. A Risk Committee has been set up and given responsibility for approving risk management policies, strategies, and action plans and for monitoring developments.

The company is sufficiently prepared for possible developments in this direction in 2013 so as to continue creating value for its shareholders by managing its risks effectively.

Auditor's Report

To the Annual Ordinary General Assembly of Aksigorta A.Ş.

Aksigorta A.Ş.'nin 01.01.2012 – 31.12.2012 dönemi hesap işlemlerini; 6102 sayılı Türk Ticaret Kanunu'nun 1534/4 maddesi uyarınca 6762 sayılı Türk Ticaret Kanunu (Eski) hükümleri, ortaklığın esas sözleşmesi ve diğer mevzuat ile genel kabul görmüş muhasebe ilke ve standartlarına göre incelemiş bulunmaktayız. Bu çerçevede,

Partnership's Title: Aksigorta A.Ş.

Headquarters: Meclis-i Mebusan Cad. No:67 34427 Fındıklı/İstanbul

Capital: 306.000.000 TL

Field of Activity: Insurance

Name, term of office of the auditors and whether they are a shareholder or employee of the Company:

Şerafettin Karakış – İlker Yıldırım

In accordance with temporary Article 6/2 and Article 400 of the Turkish Commercial Code our terms of office are up to the first ordinary general assembly meeting. We are not company personnel and have not the Company shares.

Number of Board of Directors' Meetings Participated and Auditing Committee Meetings Convened:

We participated in the Board of Directors' meetings 4 times, convened Auditing Committee Meetings 6 times.

Content of the inspection made on the partnership's accounts, books and documents and the dates in the inspections are made and the result obtained:

The inspections and controls regarding Tax Legislation and Commercial Law were made on the first week of 3rd, 6th, 9th, and 12th months of the year and no issue of criticism was found.

Number of results of the counting made at the cash office of the partnership in accordance with 3rd subparagraph of 1st paragraph of Article 353 of the Turkish Commercial Code:

Since the cash activities in the company are done via Banks and so there is not any cash box or cash desks in the company, there is no need for the cash count.

Dates and results of the inspection made in accordance with 4th subparagraph of 1st paragraph of Article 353 of the Turkish Commercial Code:

At the inspections made on the first business day of every month, it was ascertained that the existing negotiable instruments are in conformity with the book entries.

Auditor's Report

Complaints and corruptions conveyed and actions taken with regard to such:

No complaints were conveyed.

We have inspected the accounting transactions of Aksigorta A.Ş. pertaining to the term of 01.01.2012-31.12.2012 in accordance with the Turkish Commercial Code, articles of association of the partnership and other legislation as well as the generally accepted accounting principles and standards.

According to our opinion, the attached balance sheet prepared as of 31.12.2012 and the income statement for the term of 01.01.2012-31.12.2012, the contents of which we support, reflect the financial status of the partnership as the of the date specified and truly and accurately reflect the results of operation of the specified term, respectively; profit distribution proposal is in conformity with the laws and the Articles of Incorporation.

We submit to your consent the approval of the balance sheet and the income statement and release of the Board of Directors.

Date: 06.03.2013

Şerafettin Karakış
Auditor

İlker Yıldırım
Auditor

Internal Audit Activities

In our Company, the internal audit activities are conducted by the Internal Audit Department reporting directly to the Board of Directors and it is organized to be independent in terms of administration. Although the ultimate responsibility lies in the Board of Directors, two members of the Board of Directors that are not appointed to the execution were elected and appointed as members of the Audit Committee. The Internal Audit Department reports to the Audit Committee. Additionally, in Board meetings there is a permanent agenda item concerning internal audit results and audit reports are put on the agenda by the Audit Committee.

Internal audit activities of 2012 were realized by the Internal Audit Department consisting of 1 Head of Internal Audit, 1 Division Manager, 1 Unit Manager and 4 Internal Auditors, in accordance with the annual "Annual Audit Plan" approved by the Board of Directors. Within the context of the annual audit plan, auditing of 22 business processes were completed and the results were submitted in the form of a report to the Audit Committee.

The actions taken by the Company managers in connection with the internal audit deficiencies observed within the frame of Audit Reports were subsequently followed up and the adequacy of the actions were questioned by monitoring their effect on the risk level and the results were reported to the Audit Committee.

Dividend Policy

Our company makes the profit distribution in accordance with Insurance legislation, the provisions of the Turkish Commercial Code, Capital Market Law, Tax Legislation, other relevant legislation and the provisions regarding the profit distribution of the articles of association.

The company's capital requirements, investment and financing policies, profitability and cash position are taken into account while determining the dividends to be distributed.

In accordance with the provisions regarding the profit distribution of the articles of association, from the net profit calculated and ascertained based on the balance sheet issued pursuant to the article 507 and so on of the Turkish Commercial Code and the other relevant laws and the Articles of Association, the Corporation Tax payable and other fiscal obligations shall be deducted and the statutory reserve shall be set aside and the first dividend shall be set aside from the remaining sum at the rate and amount determined by the Capital Market Board. After the amounts mentioned above have been deducted and set aside from the net profit, minimum 50% of the distributable profit shall be paid to the shareholders of the Company in proportion to the shares held by them, but the amount of the first dividend calculated by taking into account the essentials established by the Capital Market Board is deducted from that amount.

Whether the amount remaining after deduction of the aforesaid amounts from the profit is to be distributed or set aside as extraordinary reserve shall be decided by the General Assembly.

In the distribution of the profit, the provision of the article 519 of the Turkish Commercial Code is reserved.

Unless the reserves which must be set aside pursuant to the law have been set aside and the first dividend envisaged in the Articles of Association as payable to the shareholders has been paid in cash and/or distributed as shares of stock, no further reserve may be set aside, nor the profit may be carried forward to the next year, nor a share of the profit may be distributed to the directors, employees, servants and workers of the Company.

Statement of Profit Distribution

It has been decided to propose the following profit distribution out of 48.672.723 TL net profit of the period reflected in the 2012 financial statements, for the approval of our company's General Assembly at the 2012 Ordinary General Assembly Meeting; all of the 43.301.486,85 TL distributable profit after allocating the legal reserves and 1.374.513,15 TL from previous years' profits making a total amount of 44.676.000 TL to be distributed to the shareholders as by one day after the Ordinary General Assembly meeting date as 0,1460 Krş per share.

AKSIGORTA A.Ş. 2012 Statement of Profit Distribution (TL)

| | | |
|--|-------------------------|-----------------------------------|
| 1. Paid in Capital | | 306,000,000 |
| 2. Legal Reserves (According to the Law) | | 62,767,184 |
| Information related with the privileged shares, if there is in accordance with Articles of Incorporation | | |
| | According to SPK | According to Legal Records |
| 3. Period Profit | 63,126,577 | 63,126,577 |
| 4. Taxes and Duties Payable (-) | 14,453,854 | 14,453,854 |
| 5. Net Preiod Profit (=) | 48,672,723 | 48,672,723 |
| 6. Prior Periods' Losses (-) | | |
| 7. First Legal Reserves | 2,433,636 | 2,433,636 |
| Subsidiary's Net Profit Available for Distribution | | |
| 8. Before Distribution Decision (-) | | |
| 9. Net Profit Available for Distribution | 46,239,087 | 46,239,087 |
| 10. Donations (+) | 3,167,105 | |
| Donations Added Net Profit Available for Distribution | | |
| 11. to Compute First Legal Reserves | | |
| 12. First Dividend to Shareholders | | |
| -Cash | 15,300,000 | |
| -Free of Charge | | |
| -Total | | |
| 13. Dividend to Holders of Preferred Shares | | |
| 14. Dividends to Board of Directors | | |
| Dividend to Holders of Profit and Loss Sharing | | |
| 15. Certificates | | |
| 16. Second Dividend to Shareholders | 29,376,000 | |
| 17. Second Legal Reserves | 2,937,600 | |
| 18. Statutory Reserves | | |
| 19. Special Funds | | |
| 20. EXTRAORDINARY RESERVES | | |
| 21. Estimated to be Distrubuted from Other Source | 1,374,513 | |
| - Previous Years' Profits | 1,374,513 | |
| - Extraordinary Reserves | | |
| - Legal Reserves | | |
| - Other Reserves Available for Distribution | | |

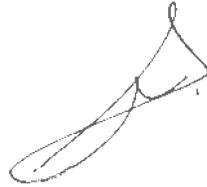
Convenience Translation of the Company's Representation on The Financial Statement Prepared as at 31 December 2012

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2012 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

İstanbul, 18 February 2013



Uğur GÜLEN
Chief Executive Officer



Erkan ŞAHİNLER
Executive Vice
President of Finance



Gülnur KURT
Accounting Manager



Şerafettin KARAKIŞ
Statutory Auditor



İlker YILDIRIM
Statutory Auditor

Convenience Translation of the Compliance Opinion on The Annual Report Presented to the General Assembly

To the General Assembly of

Aksigorta A.Ş.,

We have been assigned to audit the accompanying annual report prepared to be presented to the General Assembly of Aksigorta A.Ş. ("the Company") as of 31 December 2012. Management is responsible for the preparation of the annual report subject to the audit report. Our responsibility, as the independent auditor of the Company, is to express an opinion on the compliance of the financial information included in the annual report with respect to the audited financial statements subject to our independent audit report dated 18 February 2013.

We conducted our audit in accordance with the regulations related to the principles on the preparation and publication of annual reports as set out in accordance with the Insurance Law numbered 5684. Those regulations require that we perform the audit to obtain reasonable assurance whether the financial information included in annual report is free from material misstatement with respect to the audited financial statements. We believe that the audit we have performed is sufficient and appropriate to provide a basis for our compliance opinion.

In our opinion, the financial information included in the accompanying annual report comply, in all material respects, with the information included in audited financial statements of Aksigorta A.Ş. as of 31 December 2012.

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



Cansen Başaran Symes, SMMM
Partner

Istanbul, 6 March 2013

Independent Auditor's Report

AKSIGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT OF AKSIGORTA A.Ş. FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 (ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Aksigorta A.Ş.,

1. We have audited the accompanying balance sheet of Aksigorta A.Ş. ("the Company") as of 31 December 2012 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards as set out in the insurance legislation. This responsibility includes: designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; making accounting estimates that are reasonable in the circumstances; and selecting and applying appropriate accounting policies.

Auditor's Responsibility

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

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

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

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Aksigorta A.Ş as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards as set out in the insurance legislation (Note 2).

Emphasis Matter

5. The Company has been subjected to tax investigation in the year 2012 regarding corporate tax calculation of the year 2010 and additional tax amounting to TL60,9 million and its penalty amounting to TL91.4 million has been charged to the Company at 4 February 2013. The tax investigation was related to the spin off transaction which was subject to tax investigation in 2010. Upon reconciliation with the Ministry of Finance, adjustments have been made on the tax burden and the inter-related tax penalty that have been charged to the Company in 2010, being TL101,5 million and TL152,3 million respectively, where the tax penalty has been waived and the total tax burden of TL101,5 million has been decreased to TL8 million. As of the date of this report, since the Company has not initiated any reconciliation settlement process or file court case yet, there is uncertainty on related processes and the results.

Additional Paragraph for Convenience Translation into English

6. As discussed in Note 2.25 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and 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 in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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



Cansen Başaran Symes, SMMM
Partner

Istanbul, 18 February 2013

AKSIGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET | | TL | |
|---|------|--------------------------------|---------------------------------|
| ASSETS | | | |
| | | Audited | Audited |
| | Note | Current Period (31/12/2012) | Previous Period (31/12/2011) |
| I- CURRENT ASSETS | | | |
| A- Cash and Cash Equivalents | | | |
| 1- Cash | | - | - |
| 2- Cheques Received | | - | - |
| 3- Banks | 14 | 586,948,648 | 519,894,669 |
| 4- Cheques Given and Payment Orders (-) | | - | - |
| 5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months | 14 | 152,850,242 | 131,707,491 |
| 6- Other Cash and Cash Equivalents | | - | - |
| B- Financial Assets and Investments with Risks on Policy Holders | | | |
| 1- Financial Assets Available for Sale | 11.1 | 40,127,863 | 71,119,981 |
| 2- Financial Assets Held to Maturity | 11.1 | 33,884,888 | 57,579,393 |
| 3- Financial Assets Held for Trading | 11.1 | - | 7,925,026 |
| 4- Loans | | - | - |
| 5- Provision for Loans (-) | | - | - |
| 6- Investments with Risks on Policy Holders | 11.1 | 6,242,975 | 5,615,562 |
| 7- Equity Shares | | - | - |
| 8- Impairment in Value of Financial Assets (-) | | - | - |
| C- Receivables From Main Operations | | | |
| 1- Receivables From Insurance Operations | 12.1 | 294,690,957 | 316,454,044 |
| 2- Provision for Receivables From Insurance Operations (-) | 12.1 | 292,775,394 | 315,764,019 |
| 3- Receivables From Reinsurance Operations | | (1,866,354) | (2,883,354) |
| 4- Provision for Receivables From Reinsurance Operations (-) | 12.1 | - | - |
| 5- Cash Deposited For Insurance & Reinsurance Companies | 12.1 | (1,292,903) | (1,935,641) |
| 6- Loans to Policyholders | | 30,954 | 30,954 |
| 7- Provision for Loans to Policyholders (-) | | - | - |
| 8- Receivables from Pension Operation | | - | - |
| 9- Doubtful Receivables From Main Operations | 12.1 | 50,069,028 | 44,185,986 |
| 10- Provisions for Doubtful Receivables From Main Operations (-) | 12.1 | (45,025,162) | (38,707,920) |
| D- Due from Related Parties | | | |
| 1- Due from Shareholders | | 63,248 | 101,317 |
| 2- Due from Affiliates | | - | - |
| 3- Due from Subsidiaries | | - | - |
| 4- Due from Joint Ventures | | - | - |
| 5- Due from Personnel | | - | 48,689 |
| 6- Due from Other Related Parties | 45 | 63,248 | 52,628 |
| 7- Rediscount on Receivables Due from Related Parties (-) | | - | - |
| 8- Doubtful Receivables Due from Related Parties | | - | - |
| 9- Provisions for Doubtful Receivables Due from Related Parties (-) | | - | - |
| E- Other Receivables | | | |
| 1- Leasing Receivables | | 8,304,568 | 4,280,137 |
| 2- Unearned Leasing Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | | 136,892 | 90,853 |
| 4- Other Receivables | 47 | 8,167,676 | 4,189,284 |
| 5- Discount on Other Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provisions for Other Doubtful Receivables (-) | | - | - |
| F- Prepaid Expenses and Income Accruals | | | |
| 1- Deferred Commission Expenses | | 99,106,525 | 90,735,171 |
| 2- Accrued Interest and Rent Income | | 98,457,174 | 90,527,147 |
| 3- Income Accruals | | - | - |
| 4- Other Prepaid Expenses | 47 | 649,351 | 208,024 |
| G- Other Current Assets | | | |
| 1- Inventories | | 6,103,124 | 3,574,788 |
| 2- Prepaid Taxes and Funds | | 22 | 163,010 |
| 3- Deferred Tax Assets | | 6,103,102 | 3,384,481 |
| 4- Business Advances | | - | - |
| 5- Advances Given to Personnel | | - | 2,814 |
| 6- Stock Count Differences | | - | 24,483 |
| 7- Other Current Assets | | - | - |
| 8- Provision for Other Current Assets (-) | | - | - |
| I- Total Current Assets | | 1,188,195,175 | 1,137,867,598 |

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

AKSIGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| ASSETS | | Audited Current Period (31/12/2012) | Audited Previous Period (31/12/2011) |
|--|----------------|---|--|
| II- NON CURRENT ASSETS | Note | | |
| A- Receivables From Main Operations | | | |
| 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- Due from Related Parties | | | |
| 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- Discount on Receivables Due from Related Parties (-) | | - | - |
| 8- Doubtful Receivables Due from Related Parties | | - | - |
| 9- Provisions for Doubtful Receivables Due from Related Parties (-) | | - | - |
| C- Other Receivables | | | |
| 1- Leasing Receivables | | - | - |
| 2- Unearned Leasing Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | | - | - |
| 4- Other Receivables | | - | - |
| 5- Discount on Other Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provisions for Other Doubtful Receivables (-) | | - | - |
| D- Financial Assets | | 30,116,653 | 30,116,653 |
| 1- Investments In Associates | | - | - |
| 2- Affiliates | 9, 11.4 | 30,116,653 | 30,116,653 |
| 3- Capital Commitments to Affiliates (-) | | - | - |
| 4- Subsidiaries | | - | - |
| 5- Capital Commitments to Subsidiaries (-) | | - | - |
| 6- Joint Ventures | | - | - |
| 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 (-) | | - | - |
| E- Tangible Fixed Assets | | 32,275,150 | 34,175,529 |
| 1- Investment Properties | 7 | 854,189 | 854,189 |
| 2- Diminution in Value for Investment Properties (-) | | - | - |
| 3- Owner Occupied Properties | 6 | 38,837,294 | 38,837,294 |
| 4- Machinery and Equipments | 6 | - | - |
| 5- Furnitures and Fixtures | 6 | 21,193,789 | 22,144,295 |
| 6- Vehicles | 6 | 32,050 | 32,050 |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 2,447,156 | 2,414,980 |
| 8- Leased Tangible Fixed Assets | 6 | 351,395 | 351,395 |
| 9- Accumulated Depreciation (-) | 6, 7 | (31,440,723) | (30,458,674) |
| 10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses) | | - | - |
| F- Intangible Fixed Assets | | 12,013,551 | 8,854,103 |
| 1- Rights | 8 | 17,310,744 | 15,594,992 |
| 2- Goodwill | | - | - |
| 3- Establishment Costs | | - | - |
| 4- Research and Development Expenses | | - | - |
| 6- Other Intangible Assets | | - | - |
| 7- Accumulated Amortizations (-) | 8 | (10,006,232) | (6,740,889) |
| 8- Advances Regarding Intangible Assets | 8 | 4,709,039 | - |
| G- Prepaid Expenses and Income Accruals | | | |
| 1- Deferred Commission Expenses | | - | - |
| 2- Accrued Interest and Rent Income | | - | - |
| 3- Other Prepaid Expenses | | - | - |
| H- Other Non-current Assets | | 4,551,823 | 2,128,644 |
| 1- Effective Foreign Currency Accounts | | - | - |
| 2- Foreign Currency Accounts | | - | - |
| 3- Inventories | | - | - |
| 4- Prepaid Taxes and Funds | | - | - |
| 5- Deferred Tax Assets | 35 | 4,551,823 | 2,128,644 |
| 6- Other Non-current Assets | | - | - |
| 7- Other Non-current Assets Amortization (-) | | - | - |
| 8- Provision for Other Non-current Assets (-) | | - | - |
| II- Total Non-current Assets | | 78,957,177 | 75,274,929 |
| TOTAL ASSETS (I+II) | | 1,267,152,352 | 1,213,142,527 |

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

AKSIGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET | | | | TL |
|--|-------------|---|--|----|
| LIABILITIES | | | | |
| III- SHORT TERM LIABILITIES | Note | Audited Current Period (31/12/2012) | Audited Previous Period (31/12/2011) | |
| A- Borrowings | | - | - | |
| 1- Loans to Financial Institutions | | - | - | |
| 2- Finance Lease Payables | | - | - | |
| 3- Deferred Finance Lease Borrowing Costs (-) | | - | - | |
| 4- Current Portion of Long Term Borrowings | | - | - | |
| 5- Principal, Installments and Interests on Issued Bills (Bonds) | | - | - | |
| 6- Other Financial Assets Issued | | - | - | |
| 7- Value Differences on Issued Financial Assets (-) | | - | - | |
| 8- Other Financial Borrowings (Liabilities) | | - | - | |
| B- Payables From Main Operations | 19.1 | 74,900,628 | 95,298,531 | |
| 1- Payables Due to Insurance Operations | 19.1 | 74,900,628 | 95,298,531 | |
| 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 (-) | | - | - | |
| C- Due to Related Parties | | 454,331 | 175,066 | |
| 1- Due to Shareholders | 12.2 | 176,580 | 175,066 | |
| 2- Due to Affiliates | | - | - | |
| 3- Due to Subsidiaries | | - | - | |
| 4- Due to Joint Ventures | | - | - | |
| 5- Due to Personnel | | 277,751 | - | |
| 6- Due to Other Related Parties | | - | - | |
| D- Other Payables | 19.1 | 33,450,426 | 28,596,179 | |
| 1- Deposits and Guarantees Received | | - | - | |
| 2- Due to SSI regarding Treatment Expenses | 19.1 | 12,061,079 | 7,058,985 | |
| 3- Other Payables | 19.1 | 21,389,347 | 21,537,194 | |
| 4- Discount on Other Payables (-) | | - | - | |
| E- Insurance Technical Reserves | | 646,634,777 | 607,843,934 | |
| 1- Unearned Premiums Reserve - Net | 20 | 448,114,008 | 400,786,528 | |
| 2- Unexpired Risk Reserves - Net | 20 | 10,020,873 | 316,051 | |
| 3- Mathematical Reserves - Net | | - | - | |
| 4- Outstanding Claims Reserve - Net | 4.1, 20 | 188,499,896 | 206,741,355 | |
| 5- Provision for Bonus and Discounts - Net | | - | - | |
| 6- Other Technical Reserves - Net | | - | - | |
| F- Taxes and Other Liabilities and Relevant Provisions | | 17,537,018 | 13,273,694 | |
| 1- Taxes and Dues Payable | | 10,808,679 | 9,407,915 | |
| 2- Social Security Premiums Payable | 23.1 | 99,887 | 856,815 | |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities | | - | - | |
| 4- Other Taxes and Liabilities | | 10,703 | 13,982 | |
| 5- Corporate Tax Liability Provision on Period Profit | 35 | 14,453,854 | 5,655,167 | |
| 6- Prepaid Taxes and Other Liabilities on Period Profit (-) | 35 | (7,836,105) | (2,660,185) | |
| 7- Provisions for Other Taxes and Liabilities | | - | - | |
| G- Provisions for Other Risks | | 11,893,738 | 12,295,015 | |
| 1- Provision for Employment Termination Benefits | | - | - | |
| 2- Pension Fund Deficit Provision | | - | - | |
| 3- Provisions for Costs | 23.4 | 11,893,738 | 12,295,015 | |
| H- Deferred Income and Expense Accruals | 19.1 | 22,361,119 | 21,439,084 | |
| 1- Deferred Commission Income | 19.1 | 22,361,119 | 21,439,084 | |
| 2- Expense Accruals | | - | - | |
| 3- Other Deferred Income | | - | - | |
| I- Other Short Term Liabilities | | - | - | |
| 1- Deferred Tax Liability | | - | - | |
| 2- Inventory Count Differences | | - | - | |
| 3- Other Short Term Liabilities | | - | - | |
| III - Total Short Term Liabilities | | 807,232,037 | 778,921,503 | |

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

AKSİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET | | TL | |
|--|----------|---|--|
| LIABILITIES | | | |
| | Note | Audited Current Period (31/12/2012) | Audited Previous Period (31/12/2011) |
| IV- LONG TERM LIABILITIES | | | |
| A- Borrowings | | | |
| 1- Loans to Financial Institutions | | - | - |
| 2- Finance Lease Payables | | - | - |
| 3- Deferred Finance Lease Borrowing Costs (-) | | - | - |
| 4- Bonds Issued | | - | - |
| 5- Other Issued Financial Assets | | - | - |
| 6- Value Differences on Issued Financial Assets (-) | | - | - |
| 7- Other Financial Borrowings (Liabilities) | | - | - |
| B- Payables From Main Operations | | | |
| 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- Discount on Other Payables From Main Operations (-) | | - | - |
| C- Due to Related Parties | | | |
| 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 | | - | - |
| D- Other Payables | | | |
| 1- Deposits and Guarantees Received | 19.1 | 9,235,187 | 9,685,292 |
| 2- Due to SSI regarding Treatment Expenses | 19.1 | 9,235,187 | 9,685,292 |
| 3- Other Payables | | - | - |
| 4- Discount on Other Payables (-) | | - | - |
| E- Insurance Technical Reserves | | | |
| 1- Unearned Premiums Reserve - Net | | 24,797,373 | 19,077,095 |
| 2- Unexpired Risk Reserves - Net | | - | - |
| 3- Mathematical Reserves - Net | 17.2, 20 | 2,597,676 | 3,368,712 |
| 4- Outstanding Claims Reserve - Net | | - | - |
| 5- Provision for Bonus and Discounts - Net | | - | - |
| 6- Other Technical Reserves - Net | 20, 47 | 22,199,697 | 15,708,383 |
| F- Other Liabilities and Provisions | | | |
| 1- Other Liabilities | | - | - |
| 2- Overdue, Deferred or By Installment Other Liabilities | | - | - |
| 3- Other Liabilities and Expense Accruals | | - | - |
| G- Provisions for Other Risks | | | |
| 1- Provision for Employment Termination Benefits | 22 | 2,290,103 | 2,650,075 |
| 2- Provisions for Employee Pension Fund Deficits | | - | - |
| H- Deferred Income and Expense Accruals | | | |
| 1- Deferred Commission Income | | - | - |
| 2- Expense Accruals | | - | - |
| 3- Other Deferred Income | | - | - |
| I- Other Long Term Liabilities | | | |
| 1- Deferred Tax Liability | | - | - |
| 2- Other Long Term Liabilities | | - | - |
| IV- Total Long Term Liabilities | | 36,322,663 | 31,412,462 |

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

AKSIGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET | | TL | |
|--|----------|--------------------------------|---------------------------------|
| SHAREHOLDERS' EQUITY | | | |
| V- SHAREHOLDERS' EQUITY | Note | Audited | Audited |
| | | Current Period (31/12/2012) | Previous Period (31/12/2011) |
| A- Paid in Capital | | 306,000,000 | 306,000,000 |
| 1- (Nominal) Capital | 15 | 306,000,000 | 306,000,000 |
| 2- Unpaid Capital (-) | | - | - |
| 3- Positive Inflation Adjustment on Capital | | - | - |
| 4- Negative Inflation Adjustment on Capital (-) | | - | - |
| 5- Unregistered Capital | | - | - |
| B- Capital Reserves | | 4,460,787 | 4,328,261 |
| 1- Equity Share Premiums | | - | - |
| 2- Cancellation Profits of Equity Shares | | - | - |
| 3- Profit on Sale to be Transferred to Capital | | 4,460,787 | 4,328,261 |
| 4- Translation Reserves | | - | - |
| 5- Other Capital Reserves | | - | - |
| C- Profit Reserves | | 62,950,566 | 58,937,406 |
| 1- Legal Reserves | | 62,767,184 | 59,802,506 |
| 2- Statutory Reserves | | 62 | 62 |
| 3- Extraordinary Reserves | | - | - |
| 4- Special Funds (Reserves) | | - | - |
| 5- Revaluation of Financial Assets | 11.6, 16 | 183,320 | (865,162) |
| 6- Other Profit Reserves | | - | - |
| D- Previous Years' Profits | | 1,513,576 | 1,513,576 |
| 1- Previous Years' Profits | | 1,513,576 | 1,513,576 |
| E- Previous Years' Losses (-) | | - | - |
| 1- Previous Years' Losses | | - | - |
| F- Net Profit of the Period | | 48,672,723 | 32,029,319 |
| 1- Net Profit of the Period | | 48,672,723 | 31,896,793 |
| 2- Net Loss of the Period | | - | - |
| 3- Net Income not subject to distribution | | - | 132,526 |
| Total Shareholders' Equity | | 423,597,652 | 402,808,562 |
| Total Liabilities and Shareholders' Equity (III+IV+V) | | 1,267,152,352 | 1,213,142,527 |

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

AKSİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

| | Note | Audited | Audited |
|--|-------|---|---|
| | | Current Period 01/01/2012-31/12/2012 | Current Period 01/01/2011-31/12/2011 |
| I-TECHNICAL PART | | | |
| A- Non-Life Technical Income | | 945,610,034 | 803,182,042 |
| 1- Earned Premiums (Net of Reinsurer Share) | | 904,528,880 | 769,337,244 |
| 1.1 - Written Premiums (Net of Reinsurer Share) | 24 | 956,432,938 | 862,306,971 |
| 1.1.1 - Gross Written Premiums (+) | | 1,311,276,165 | 1,136,589,882 |
| 1.1.2 - Ceded Premiums to Reinsurers (-) | 17.16 | (331,986,269) | (263,168,942) |
| 1.1.3 - Ceded Premiums to SSI (-) | 17.16 | (22,856,958) | (11,113,969) |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | | (42,199,235) | (92,934,345) |
| 1.2.1 - Unearned Premiums Reserve (-) | | (77,990,059) | (107,560,211) |
| 1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+) | 17.16 | 31,059,540 | 8,322,210 |
| 1.2.3 - SSI of Unearned Premiums Reserve (+) | 17.16 | 4,731,284 | 6,303,656 |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | | (9,704,823) | (35,382) |
| 1.3.1 - Unexpired Risks Reserve (-) | | (11,620,569) | 1,765,597 |
| 1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+) | 17.16 | 1,915,746 | (1,800,979) |
| 2- Investment Income Transferred from Non-Technical Part | | 37,794,490 | 29,376,629 |
| 3- Other Technical Income (Net of Reinsurer Share) | | - | - |
| 3.1 - Gross Other Technical Income (+) | | - | - |
| 3.2 - Reinsurance Share of Other Technical Income (-) | | - | - |
| 4- Accrued Subrogation and Salvage Income (+) | | 3,286,664 | 4,468,169 |
| B- Non-Life Technical Expense (-) | | (890,915,793) | (766,423,045) |
| 1- Total Claims (Net of Reinsurer Share) | | (607,008,664) | (537,993,020) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (633,190,285) | (543,692,609) |
| 1.1.1 - Gross Claims Paid (-) | | (743,384,523) | (651,632,962) |
| 1.1.2 - Reinsurance Share of Claims Paid (+) | 17.16 | 110,194,238 | 107,940,353 |
| 1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | 29 | 26,181,621 | 5,699,589 |
| 1.2.1 - Outstanding Claims Reserve (-) | | (96,058,164) | 6,687,886 |
| 1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+) | 17.16 | 122,239,785 | (988,297) |
| 2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | - | - |
| 2.1 - Bonus and Discount Reserve (-) | | - | - |
| 2.2 - Reinsurance Share of Bonus and Discount Reserve (+) | | - | - |
| 3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | (6,491,314) | (4,864,295) |
| 4- Operating Expenses (-) | 32 | (246,233,551) | (199,215,021) |
| 5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | - | - |
| 5.1- Mathematical Reserves (-) | | - | - |
| 5.2- Reinsurance Share of Mathematical Reserves (+) | | - | - |
| 6.- Other Technical Expenses (-) | | (31,182,264) | (24,350,709) |
| 6.1.- Gross Other Technical Expenses (-) | | (31,182,264) | (24,350,709) |
| 6.2.- Reinsurance Share of Other Technical Expenses (+) | | - | - |
| C- Non Life Technical Net Profit (A-B) | | 54,694,241 | 36,758,997 |
| D- Life Technical Income | | 977,354 | 967,362 |
| 1- Earned Premiums (Net of Reinsurer Share) | | 40,428 | 111,704 |
| 1.1 - Written Premiums (Net of Reinsurer Share) | 24 | 41,788 | 111,378 |
| 1.1.1 - Gross Written Premiums (+) | | 55,660 | 146,733 |
| 1.1.2 - Ceded Premiums to Reinsurers (-) | 17.16 | (13,872) | (35,355) |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | | (1,360) | 326 |
| 1.2.1- Unearned Premium Reserves (-) | | 2,231 | 3,502 |

AKSIGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

| | | | |
|---|-------|------------------|------------------|
| 1.2.2- Unearned Premium Reserves Reinsurer Share (+) | 17.16 | (3,591) | (3,176) |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | | - | - |
| 1.3.1- Unexpired Risks Reserves (-) | | - | - |
| 1.3.2- Unexpired Risks Reserves Reinsurer Share (+) | | - | - |
| 2- Life Branch Investment Income | | 803,442 | 663,470 |
| 3- Unrealized Income from Investments | | - | - |
| 4-Other Technical Income (Net of Reinsurer Share) (+/-) | | 133,484 | 192,188 |
| 4.1- Gross Other Technical Income (+/-) | | 133,484 | 192,188 |
| 4.2- Reinsurance Share of Other Technical Income (+/-) | | - | - |
| 5- Accrued Subrogation and Salvage Income (+) | | - | - |
| E- Life Technical Expense | | (906,218) | (745,761) |
| 1- Total Claims (Net of Reinsurer Share) | | (1,354,592) | (1,793,204) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (1,171,847) | (1,837,395) |
| 1.1.1- Gross Claims Paid (-) | | (1,171,847) | (1,837,395) |
| 1.1.2- Claims Paid Reinsurer Share (+) | | - | - |
| 1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | 29 | (182,745) | 44,191 |
| 1.2.1 - Outstanding Claims Reserve (-) | | (181,818) | 39,288 |
| 1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+) | 17.16 | (927) | 4,903 |
| 2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | - | - |
| 2.1 - Bonus and Discount Reserve (-) | | - | - |
| 2.2 - Reinsurance Share of Bonus and Discount Reserve (+) | | - | - |
| 3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | 772,579 | 1,159,404 |
| 3.1- Mathematical Reserves (-) | | 771,036 | 1,159,404 |
| 3.1.1- Actuarial Mathematical Reserve (-) | | 1,196,544 | 579,732 |
| 3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-) | | (425,508) | 579,672 |
| 3.2- Reinsurer Share of Mathematical Reserves (+) | | 1,543 | - |
| 3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+) | | 1,543 | - |
| 3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-) | | - | - |
| 4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | | - | - |
| 5- Operating Expenses (-) | 32 | (318,521) | (71,048) |
| 6- Investment Expenses (-) | | - | - |
| 7- Unrealized Losses from Investments (-) | | - | - |
| 8- Investment Income Transferred to Non- Technical Part (-) | | (5,684) | (40,913) |
| F- Life Technical Profit (D-E) | | 71,136 | 221,601 |
| G- Individual Retirement Technical Income | | - | - |
| 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 | | - | - |
| H- Individual Retirement Technical Expense | | - | - |
| 1- Fund Management Expenses (-) | | - | - |
| 2- Decrease in Market Value of Capital Commitment Advances (-) | | - | - |
| 3- Operating Expenses (-) | | - | - |
| 4- Other Technical Expense (-) | | - | - |
| I- Individual Retirement Technical Profit (G-H) | | - | - |

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

AKSİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

| | Note | Audited | Audited |
|---|-----------|---|---|
| | | Current Period 01/01/2012-31/12/2012 | Current Period 01/01/2011-31/12/2011 |
| I-NON TECHNICAL PART | | | |
| C- Non Life Technical Profit | | 54,694,241 | 36,758,997 |
| F- Life Technical Profit | | 71,136 | 221,601 |
| I- Individual Retirement Technical Profit | | - | - |
| J- Total Technical Profit (C+F+I) | | 54,765,377 | 36,980,598 |
| K- Investment Income | | 70,357,756 | 57,604,191 |
| 1- Income From Financial Investment | 26 | 54,298,041 | 34,293,260 |
| 2- Income from Sales of Financial Investments | 26 | 7,621,617 | 2,999,704 |
| 3- Revaluation of Financial Investments | 26 | (2,489,753) | 5,692,742 |
| 4- Foreign Exchange Gains | 36 | 8,883,493 | 14,312,764 |
| 5- Income from Affiliates | | - | - |
| 6- Income from Subsidiaries and Joint Ventures | | - | - |
| 7- Income Received from Land and Building | 26 | 299,375 | 264,808 |
| 8- Income from Derivatives | | 1,739,299 | - |
| 9- Other Investments | | - | - |
| 10- Investment Income transferred from Life Technical Part | | 5,684 | 40,913 |
| L- Investment Expenses (-) | | (51,281,197) | (46,735,121) |
| 1- Investment Management Expenses (including interest) (-) | | - | - |
| 2- Valuation Allowance of Investments (-) | | - | - |
| 3- Losses On Sales of Investments (-) | | - | - |
| 4- Investment Income Transferred to Life Technical Part (-) | | (37,794,490) | (29,376,629) |
| 5- Losses from Derivatives (-) | | - | - |
| 6- Foreign Exchange Losses (-) | 36 | (9,121,158) | (12,264,931) |
| 7- Depreciation Expenses (-) | 32 | (4,365,549) | (5,093,561) |
| 8- Other Investment Expenses (-) | | - | - |
| M- Other Income and Expenses (+/-) | 47 | (10,715,359) | (10,165,182) |
| 1- Provisions Account (+/-) | 47 | (10,831,166) | (4,897,220) |
| 2- Discount account (+/-) | 47 | 1,965,536 | (191,244) |
| 3- Mandatory Earthquake Insurance Account (+/-) | 47 | 383,522 | 295,331 |
| 4- Inflation Adjustment Account (+/-) | | - | - |
| 5- Deferred Tax Asset Accounts (+/-) | 35 | 2,685,300 | (2,101,392) |
| 6- Deferred Tax Expense Accounts (-) | | - | - |
| 7- Other Income and Revenues | 47 | 2,103,711 | 1,509,992 |
| 8- Other Expense and Losses (-) | 47 | (7,022,262) | (5,575,283) |
| 9- Prior Period Income | 47 | - | 794,634 |
| 10- Prior Period Losses (-) | | - | - |
| N- Net Profit/(Loss) | | 48,672,723 | 32,029,319 |
| 1- Profit/(Loss) Before Tax | | 63,126,577 | 37,684,486 |
| 2- Corporate Tax Liability Provision (-) | 35 | (14,453,854) | (5,655,167) |
| 3- Net Profit (Loss) | | 48,672,723 | 32,029,319 |
| 4- Inflation Adjustment Account | | - | - |

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

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 AND 2011

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

AKSİGORTA ANONİM ŞİRKETİ STATEMENT OF CHANGES IN EQUITY

(Audited)

| CURRENT PERIOD | Capital | Equity Shares Owned by the Company (-) | Revaluation of Financial Assets | Inflation Adjustment on Capital | Translation Reserves |
|---|--------------------|--|---------------------------------|---------------------------------|----------------------|
| I - Closing Balance of Prior Period (31/12/2011) | 306,000,000 | - | (865,162) | - | - |
| A- Capital increase (A1 + A2) | - | - | - | - | - |
| 1- Cash | - | - | - | - | - |
| 2- Internal sources | - | - | - | - | - |
| B- Equity shares purchased by the company | - | - | - | - | - |
| C- Income/(expense) recognized directly in the equity | - | - | - | - | - |
| D- Revaluation of financial assets (Note 16.1) | - | - | 960,774 | - | - |
| E- Translation reserves | - | - | - | - | - |
| F- Other income/(expenses) | - | - | - | - | - |
| G- Inflation adjustment differences | - | - | - | - | - |
| H- Period net profit (Note 37) | - | - | - | - | - |
| I- Dividend distributed | - | - | - | - | - |
| J- Transfer | - | - | - | - | - |
| II- Closing Balance (30/09/2012) (I+A+B+C+D+E+F+G+H+I+J) | 306,000,000 | - | 95,612 | - | - |

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

| PREVIOUS PERIOD | Capital | Equity Shares Owned by the Company (-) | Revaluation of Financial Assets | Inflation Adjustment on Capital | Translation Reserves |
|---|--------------------|--|---------------------------------|---------------------------------|----------------------|
| I - Closing Balance of Prior Period (31/12/2010) | 306,000,000 | - | - | - | - |
| A- Capital increase (A1 + A2) | - | - | - | - | - |
| 1- Cash | - | - | - | - | - |
| 2- Internal sources | - | - | - | - | - |
| B- Equity shares purchased by the company | - | - | - | - | - |
| C- Income/(expense) recognized directly in the equity | - | - | - | - | - |
| D- Revaluation of financial assets | - | - | (1,250,034) | - | - |
| E- Translation reserves | - | - | - | - | - |
| F- Other income/(expenses) | - | - | - | - | - |
| G- Inflation adjustment differences | - | - | - | - | - |
| H- Period net profit (Note 37) | - | - | - | - | - |
| I- Dividend distributed | - | - | - | - | - |
| J- Transfer | - | - | - | - | - |
| II- Closing Balance (30/09/2011) (I+A+B+C+D+E+F+G+H+I+J) | 306,000,000 | - | (1,250,034) | - | - |

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

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012 AND 2011

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

TL

| Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit / (Loss) for the Period | Previous Years' Profit / (Loss) | Total |
|----------------|--------------------|--------------------------------------|------------------------------------|---------------------------------|--------------|
| 59,802,506 | 62 | 4,328,261 | 32,029,319 | 1,513,576 | 402,808,562 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 960,774 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 27,122,874 | - | 27,122,874 |
| - | - | - | - | (28,932,115) | (28,932,115) |
| 2,964,678 | - | 132,526 | (32,029,319) | 28,932,115 | - |
| 62,767,184 | 62 | 4,460,787 | 27,122,874 | 1,513,576 | 401,960,095 |
| Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit / (Loss) for the Period | Previous Years' Profit / (Loss) | Total |
| 59,802,506 | 62 | 4,046,557 | 1,476,010 | 319,270 | 371,644,405 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | (1,250,034) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 15,743,205 | - | 15,743,205 |
| - | - | - | - | - | - |
| - | - | 281,704 | (1,476,010) | 1,194,306 | - |
| 59,802,506 | 62 | 4,328,261 | 15,743,205 | 1,513,576 | 386,137,576 |

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2012 AND 2011

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

| AKSIGORTA ANONİM ŞİRKETİ CASH FLOW STATEMENT | | TL | |
|--|-----------|-----------------------|-----------------------|
| | | Audited | Audited |
| | | Current Period | Previous Period |
| | Note | 01/01/2012-31/12/2012 | 01/01/2011-31/12/2011 |
| A. CASH FLOWS FROM THE OPERATING ACTIVITIES | | | |
| 1. Cash inflows from the insurance operations | | 876,573,789 | 823,675,043 |
| 2. Cash inflows from the reinsurance operations | | - | - |
| 3. Cash inflows from the pension operations | | - | - |
| 4. Cash outflows due to the insurance operations (-) | | (767,229,309) | (731,138,485) |
| 5. Cash outflows due to the reinsurance operations (-) | | - | - |
| 6. Cash outflows due to the pension operations (-) | | - | - |
| 7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6) | | 109,344,480 | 92,536,558 |
| 8. Interest payments (-) | | - | - |
| 9. Income tax payments (-) | | (7,835,099) | (6,697,819) |
| 10. Other cash inflows | | 23,801,310 | 56,453,664 |
| 11. Other cash outflows (-) | | (42,416,797) | (73,941,845) |
| 12. Net cash generated from the operating activities | 39 | 82,893,894 | 68,350,558 |
| B. CASH FLOWS FROM THE INVESTING ACTIVITIES | | | |
| 1. Sale of tangible assets | | 1,143,849 | 451,175 |
| 2. Purchase of tangible assets (-) | | - | (436,531) |
| 3. Acquisition of financial assets (-) | | 2,399,998 | 144,249,474 |
| 4. Sale of financial assets | | 7,416,056 | - |
| 5. Interest received | | 44,266,488 | 28,820,477 |
| 6. Dividends received | | - | - |
| 7. Other cash inflows | | 18,385,733 | 10,299,367 |
| 8. Other cash outflows (-) | | (51,578,180) | (25,989,270) |
| 9. Net cash generated from the investing activities | 39 | 22,033,944 | 157,394,692 |
| C. CASH FLOWS FROM THE FINANCING ACTIVITIES | | | |
| 1. Issue of equity shares | | - | - |
| 2. Cash inflows from the loans to policyholders | | - | - |
| 3. Payments of financial leases (-) | | - | - |
| 4. Dividend paid (-) | | (28,932,115) | - |
| 5. Other cash inflows | | - | - |
| 6. Other cash outflows (-) | | - | - |
| 7. Cash generated from the financing activities | 39 | (28,932,115) | - |
| D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS | | | |
| E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D) | | 75,995,723 | 225,745,250 |
| F. Cash and cash equivalents at the beginning of the period | 14 | 647,651,672 | 274,186,231 |
| G. Cash and cash equivalents at the end of the period (E+F) | 14 | 723,647,395 | 499,931,481 |

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

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of 31 December 2012. 38.02% (31 December 2011: 38.02%) of the Company is issued in İstanbul Stock Exchange ("İMKB") (Note 2.14).

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio are going to be sold to Ageas Insurance International N.V. with a sale price of USD 220,029,000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

1.2 The Company's address and legal structure and address of its registered country and registered office (or, if the Company's address is different from its registered office, the original location where the Company's actual operations are performed)

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 25 April 1960. The Company is located at Meclis-i Mebusan Cad. No: 67, 34427 Fındıklı, İstanbul.

1.3 Main operations of the Company

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has also 9 district offices of which three of them are in İstanbul (İstanbul 1, İstanbul 2 and İstanbul 3), and one each in Adana, Ankara, Bursa, Ege, Karadeniz and Akdeniz and two district agencies; in Denizli and Trabzon.

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

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company's personnel based on their categories

| | <u>1 January- 31 December 2012</u> | <u>1 January- 31 December 2011</u> |
|-------------------------------|--|--|
| Top executive | 11 | 10 |
| Manager and assistant manager | 101 | 82 |
| Specialist/responsible | 582 | 527 |
| Total | <u>694</u> | <u>619</u> |

1.6 Remuneration and fringe benefits provided to top management

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 5,655,075 in total for the current year (31 December 2011: TL 4,122,269).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

The Company's distribution of investment income and operating expenses is made based on the standards and policies set out in relation to distribution keys used, in the financial statements prepared in accordance with the Undersecretariat of the Treasury's Circular on the Insurance Uniformed Chart of Accounts issued on 4 January 2008.

Within the framework of the Undersecretariat for the Treasury of the Prime Minister's Office of Republic of Turkey ("Undersecretariat for the Treasury") Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1, dated 04 January 2008, revenues generated by the Company through investment of assets that provide non-life technical provisions were transferred from the non-technical division to technical division. Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements (Aksigorta A.Ş.) as of 31 December 2012.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company's name and other company informations presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Event

The Company's financial statements are approved and authorized for issuance as of 18 February 2012 by the Board of Directors and signed by General Manager Uğur Gülen, Assistant General Manager Erkan Şahinler, Accounting Manager Gülnur Kurt and legal auditors in the name of the Board of Directors. The mentioned financial tables are going to be finalized upon the approval of the General Assembly. Detail information about this issue is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company's financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by T.C. Prime Ministry Undersecretariat of the Treasury and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on 14 June 2007.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated 30 December 2004 (Insurance Accounting System Communiqué No:1). Content and the format of the financial statements prepared and explanations and notes thereof are

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 June 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated 31 May 2012 and numbered 2012/7.

The Company accounts and recognizes its insurance technical provisions in its financial statements in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") dated 28 July 2010 and published in official gazette numbered 27655 and published in Official Gazette dated 17 July numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Treasury").

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except the communiqués which will be prepared by Treasury, the operations of the insurance companies should be accounted for according to the above mentioned regulation, Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") issued by Turkish Accounting Standards Board ("TMSK") and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting. With reference to the notice of Treasury No. 9 dated 18 February 2008, "TMS 1- Financial Statements and Presentation", "TMS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" were out of the scope this application for the year 2008. In addition, the companies are obliged to perform the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies ("Consolidation Communiqué") dated 31 December 2008 and published in official gazette numbered 27097 effective from 31 March 2009. According to the second article of the before mentioned Communiqué, associations other than insurance, reinsurance and pension companies are excluded until 31 March 2010.

In addition, the companies are obliged to comply with the Communiqué on the "Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated 31 December 2008 and published in official gazette numbered 27097 effective from 31 March 2009 and there is no subsidiary of the Company that is in the scope of the Consolidation Communiqué.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury's statement no: 19387 issued on 4 April 2005, the Company's financial statements as of 31 December 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on 15 November 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury.

Therefore, as at 31 December 2012, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of 31 December 2004 (for inputs prior to 31 December 2004) and carrying inputs subsequent to 31 December 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company's balance sheet as of 31 December 2012 is presented in comparison with its balance sheet as of 31 December 2011. The Company's income statement, statement of changes in equity and cash flow statement for the year ended as of 31 December 2012 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the year ended as of 31 December 2011.

In order to correlate comparative information of current period's financial statements, the Company reclassifies credit card receivables.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

c. Technical provisions

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. Within the framework of the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurers' share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months (Note 20).

Deferred commission expense and income

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement.

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios.

Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

In accordance with the "Regulation to Revise the Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" numbered 2012/13 and dated 18 July 2012, the opening outstanding claims provision amount as of 30 December 2011 used in the derivation of expected loss ratio determined for the calculation of unexpired risk reserve as of 30 December 2012 has been recalculated in accordance with the new methodology to conform to the current period.

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 10,020,873 at 31 December 2012 (31 December 2011: TL 316,051) (Note 20).

Claims provision

The Company accounts for outstanding claims provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and salvage, subrogation and similar gains are not deducted.

The Company accounts for additional provision for claims incurred but not reported which is calculated as the difference between the outstanding claims provision and the amount calculated by using the actuarial chain ladder methods in accordance with the framework of the

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Circular on "Actuarial Chain Ladder Method" numbered 2010/12 and dated 20 September 2010 effective from 30 September 2010 and other related regulations.

In accordance with the Communiqué which is effective from 30 September 2010, the insurance companies has to make the calculations on each branch based on actuarial chain ladder method ("ACLM") with using 5 methods which are mentioned in the Communiqué which are all based on incurred loss (total of outstanding and paid claims).

The right of choosing one of the methods is given to the insurance companies which will determine the method for each branch as at 31 December 2010 by evaluating the best adequate method for the portfolio company and will not change the method for 3 years. The peak claims which are mentioned as big claims are eliminated in an individual file by using prescribed statistical methods in the Communiqué in order to make the ACLM calculations with a more homogeneous data set. Additionally, the ACLM calculations are performed on gross basis and the net amounts are determined according to in force reinsurance treaties of the Company.

In accordance with the circular dated 26 December 2011 and numbered 2011/23 "Explanations Related Calculation of Incurred But Not Reported Claims Provision (IBNR)" (the "Circular numbered 2011/23"), unlike the previous year, accrued claim recovery, salvage income is taken into account in ACLM calculations as of 31 December 2012. In addition, according to the Circular numbered 2011/23, negative results in the ACLM calculations are fully included in IBNR calculation.

In accordance with the "Regulation to Revise the Regulation Regarding to Technical Reserves of the Insurance, Reinsurance and Retirement Companies and the Assets on which These Reserves are Placed" dated 17 July 2012 and published in the Official Gazette numbered 28356, starting from 31 December 2012, the calculation method used for testing of the adequacy of the result for incurred but not reported claim amount calculated by ACLM is cancelled.

With respect to the Notice, 80% of result the incurred but not reported claim calculations may be taken into account for only year 2010 for the determination of the amount to be accounted for in the financial statements within the year 2010. The amounts will be taken into account at minimum 90% of the result of the new incurred but not reported claims for 2011, and all of the amount has to be taken into account in 2012. In this respect, the Company has taken 100% (31 December 2011: 90%) of the provision for claims incurred but not reported into account and has accounted for a net additional outstanding claim provision amounting to TL 14,881,171 at 31 December 2012 (31 December 2011: TL 33,405,711)

In scope of 26 December 2011 dated and 2011/23 numbered "Notice about the Calculation of Incurred But Not Reported Compensation Reserve (IBNR)" ("2011/23 numbered Notice), the Insurance Companies can calculate a win loss ratio over the case amounts regarding to the cases against the company by branch, taking the ending dates of the cases in last five years into account as of 31 December 2012 and can make a discount using this rate over the current outstanding compensation reserve amount. The Company has calculated win ratio over the cases that lawsuits have finalized in last five years. The win/loss ratio has been calculated via dividing the lawsuit amount finalized in the favour of the company to the all lawsuit cases finalized. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. Since the Company has historical information for 5 years, in accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with winning ratios over 25%. The Company has made the calculation from the information in gross basis and has determined reinsurance share of the discounted amount based on the average reinsurance share of legal claim files in branch basis. (31 December 2011: Since the company did not have historical information for 5 years the deduction ratio has been 15% for the branches exceed the 15%).

The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 11,896,060 at 31 December 2012 (31 December 2011 : TL 8,805,614). Besides, in accordance with the Communiqué numbered 2011/23, claim amounts are taken into consideration without any deduction for all calculations performed to determine incurred but not reported claim provision.

The winning ratios calculated on a sub-branch basis as of 31 December 2012 and 31 December 2011, are explained below:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| Sub-branch | 31 December 2012 | 31 December 2011 |
|---|-------------------------|-------------------------|
| Third Party Liability | 25.0% | 15.0% |
| Electronic Device | 1.1% | 15.0% |
| Commodity | 25.0% | 15.0% |
| Personal Accident | 24.8% | 15.0% |
| Theft | 25.0% | 15.0% |
| Employee Financial Liability | 25.0% | 15.0% |
| Motor Vehicles Third Party Liability | 25.0% | 15.0% |
| Construction | 25.0% | 15.0% |
| Employment | 25.0% | 15.0% |
| Motor Own Damage | 25.0% | 15.0% |
| Machinery Break | 25.0% | 15.0% |
| Professional Liability | 25.0% | 15.0% |
| Bus Compulsory Personal Accident | 25.0% | 15.0% |
| Health | 25.0% | 15.0% |
| Water Craft | 14.1% | 11.0% |
| Compulsory Traffic | 18.0% | 15.0% |
| Fire | 25.0% | 15.0% |
| Compulsory Earthquake | 25.0% | 15.0% |
| Compulsory Highway Transportation Third Party Liability | 17.8% | 6.0% |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

In accordance with the Communique, Company has selected the most appropriate method based the structure of the company portfolio and in accordance with the decision the Actuary of the Company as of 31 December 2010, has used these methods selected during the calculations performed as of 31 December 2012 and 31 December 2011. The gross and net reserve amounts on branch basis calculated by using Test IBNR method as of 31 December 2011 and the gross and net reserve amounts on branch basis calculated by using ACLM as of 31 December 2012 are explained below:

| Branch | Applied Method (**) | 31 December 2012 | | 31 December 2011 | |
|---------------------------------|---------------------|-------------------|-------------------|---------------------------------|-------------------------------|
| | | ACL M | IBNR | Gross Additional Reserve (100%) | Net Additional Reserve (100%) |
| Motor Third Party Liability (*) | Munich Chain | 45,910,242 | 42,815,965 | 44,771,676 | 40,089,638 |
| General Losses (*) | Munich Chain | 20,364,068 | 701,890 | 3,850,941 | 753,531 |
| General Liability (*) | Munich Chain | 5,012,029 | 1,276,741 | 5,506,037 | 1,218,792 |
| Financial Losses (*) | Standard Chain | 2,449,087 | 2,282,526 | 1,171,097 | 886,123 |
| Fire and Natural Disaster (*) | Munich Chain | 2,327,846 | 517,981 | 3,361,078 | 922,438 |
| Accident (*) | Munich Chain | 1,043,308 | 560,874 | 1,558,181 | 993,722 |
| Water Crafts (*) | Standard Chain | 743,082 | 276,296 | 247,849 | 31,468 |
| Credit (*) | Munich Chain | 72,072 | 1,916 | 847,196 | - |
| Air Crafts Liability (*) | Munich Chain | 2,214 | - | 526,929 | - |
| Air Crafts | Munich Chain | (28,914) | - | - | - |
| Legal Protection | Munich Chain | (330,109) | (330,109) | 38,599 | 34,739 |
| Health | Standard Chain | (533,124) | (524,593) | 1,913,014 | 1,873,918 |
| Fidelity Guarantee | Munich Chain | (847,659) | (232,492) | 310,501 | 85,465 |
| Marine | Munich Chain | (3,543,502) | (1,328,474) | 1,250,837 | 453,606 |
| Motor Own Damage | Munich Chain | (33,489,679) | (31,137,350) | (15,473,307) | (13,937,729) |
| Total | | 39,150,961 | 14,881,171 | 49,880,628 | 33,405,711 |

(*) For the branches with negative results according to the ACLM calculation, 100% of the negative results is taken into account according to the Communique dated 26 December 2012 numbered 2011/23.

(**) In accordance with the letter of the Treasury dated 14 December 2012 and numbered B.02.1.HZN.0.10.03.01/19899, the Company has changed the method in ACLM calculations of Water Craft branch since the results of Munich Chain Ladder was quite high and the methodology has been considered as incompatible with the Company's data structure. Accordingly, Standard Chain Ladder Method has been selected for the next three years. For the Financial Losses, Health branches with the letter of the Treasury dated 24 April 2012 and numbered B.02.1.HZN.0.10.03.01/7153, the Company has changed the method in ACLM calculations branch since the results of Munich Chain Ladder was quite high and the methodology has been considered as incompatible with the Company's data structure. Accordingly, Standard Chain Ladder Method has been selected for the next three years.

The Company eliminated the peak claims which are mentioned as big claims by using prescribed statistical methods in the Communique in order to perform the ACLM calculations with a homogeneous data. The big claim limits which are used for the elimination in branch basis are as follows:

| Branch | 31 December 2012 | 31 December 2011 |
|-----------------------------|------------------|------------------|
| Motor Third Party Liability | 89,448 | 87,660 |

In accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Compulsory Motor Personal Accident", the medical care claims are excluded from the incurred but not reported claims reserve calculation performed with both ACLM and the test IBNR method. The provision calculated by ACLM are performed in gross basis; and is net off based on the reinsurance agreements in force. The Company has used the reinsurance share of outstanding claims to net off the provision by considering its reinsurance agreements in force.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

It is possible to deduct the equalisation reserve for earthquake compensations from equalisation reserve for outstanding compensation reserve, but not current year's equalisation reserve, upon supplying evidence such as compensation payments for the earthquake, expert reports or the documentation that can be gathered from official institutions. In this extent, the Company has not deducted any claim amount from equalisation reserve.

The Company has calculated TL 22,199,697 (31 December 2011: TL 15,708,383) of equalisation reserve as of 31 December 2012 (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserves and represent the Company's total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of the reserves specified in the contract's technical terms and calculated using statistical and actuarial methods in order to cover the liabilities of insurance companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year, and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables valid for Turkish insurance companies and prepared by considering mortality statistics prepared abroad.

d. Subrogation and salvage income

Within the framework of the "Circular on Salvage and Subrogation Income" numbered 2010/13 and dated 20 September 2010 issued by the Treasury, the Company recognizes receivables from salvage and subrogation under the account "Receivables from main operations" on an accrual basis as of 31 December 2012 up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquittance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation are TL 14,121,324 (31 December 2011: 15,891,061 TL) and TL 1,292,903 (31 December 2011: TL 1,935,641) respectively (Note 12.1)

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables as at 31 December 2011 for the claims paid by the Company are as follows:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

31 December 2012

| | Collection | | | Accrual | | |
|-----------------------------|--------------------|---------------------|--------------------|-------------------|--------------------|-------------------|
| | Gross | Reinsurance share | Net | Gross | Reinsurance share | Net |
| Fire and Natural Disaster | 1,381,845 | (580,391) | 801,454 | 423,539 | (34,094) | 389,445 |
| Marine | 1,175,927 | (506,318) | 669,609 | 485,652 | (68,313) | 417,339 |
| Accident | 88,007 | - | 88,007 | - | - | - |
| Motor Own Damage | 186,383,547 | (13,005,141) | 173,378,406 | 12,419,610 | (869,373) | 11,550,237 |
| Water Crafts | 7,927 | (5,746) | 2,181 | - | - | - |
| General Losses | 46,215 | (26,514) | 19,701 | 4,928 | (2,812) | 2,116 |
| Motor Third Party Liability | 4,629,962 | (314,503) | 4,315,459 | 1,794,801 | (125,636) | 1,669,165 |
| Fidelity Guarantee | 3,500 | (2,811) | 689 | - | - | - |
| General Liability | 106,438 | (30,862) | 75,576 | 65,006 | (4,190) | 60,816 |
| Financial Losses | 850 | (765) | 85 | - | - | - |
| Health | 79,427 | - | 79,427 | 32,206 | - | 32,206 |
| Total | 193,903,645 | (14,473,051) | 179,430,594 | 15,225,742 | (1,104,418) | 14,121,324 |

31 December 2011

| | Collection | | | Accrual | | |
|-----------------------------|--------------------|---------------------|--------------------|-------------------|--------------------|-------------------|
| | Gross | Reinsurance share | Net | Gross | Reinsurance share | Net |
| Fire and Natural Disaster | 1,302,287 | (759,342) | 542,945 | 684,258 | (132,185) | 552,073 |
| Marine | 2,191,969 | (1,757,007) | 434,962 | 23,799 | (1,483) | 22,316 |
| Accident | 251,476 | (85,436) | 166,040 | - | - | - |
| Motor Own Damage | 140,083,697 | (16,380,147) | 123,703,550 | 15,412,555 | (1,666,432) | 13,746,123 |
| Water Crafts | 2,912 | (2,912) | - | - | - | - |
| General Losses | 72,640 | (39,067) | 33,573 | 26,682 | (27,379) | (698) |
| Motor Third Party Liability | 3,342,291 | (376,834) | 2,965,457 | 1,759,189 | (190,208) | 1,568,981 |
| Fidelity Guarantee | 26,750 | (18,633) | 8,117 | - | - | - |
| Legal Protection | 12,196 | (1,220) | 10,976 | - | - | - |
| General Liability | 32,157 | (21,955) | 10,202 | 3,065 | (800) | 2,265 |
| Financial Losses | - | - | - | - | - | - |
| Health | 873 | - | 873 | - | - | - |
| Total | 147,319,248 | (19,442,553) | 127,876,695 | 17,909,548 | (2,018,487) | 15,891,061 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding loss provisions are off-set against these reserves.

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323 and IAS 39 Impairment Principles, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. The Company has provided provision for the doubtful receivables under legal and management follow up in the account of "Provision for doubtful receivables from insurance operations" amounting to TL 17,756,592 (31 December 2011: TL 17,788,654), provision for the overdue receivables which are not under legal follow up in the account of "Provision for doubtful receivables from main operations" amounting to TL 1,866,354 (31 December 2011: TL 2,883,354). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 27,268,570 (31 December 2011: TL 20,919,266) and it has been accounted in "Provision for doubtful receivables from main operations" account (Note 12).

g. Earnings per Share

Earnings per share presented in the statement of income is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year.

Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior periods' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

h. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they are occurred subsequent to the disclosures made on profit or other selected financial information.

The Company adjusts its financial statements in the occurrence of any subsequent events (Note 46).

i. Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

If provision is measured using the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 23.2).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

j. Changes in Accounting Policies, Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and prior year financial statements are adjusted accordingly. If estimated changes in accounting policies are only for one period, changes are applied on the current year but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

k. Corporate Taxation and deferred tax

Income tax expense represents the sum of the current tax payable and deferred tax expense.

Corporate Tax

Corporation tax is payable at a rate of 20% on the total income of the Company and its Subsidiaries registered in Turkey in 2012 (also in 2011) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability.

The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 75% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as prestated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since these conditions in question were not fulfilled in 2012 and 2011, no inflation adjustments were performed (Note 35).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Except the conditions that the company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised (Note 35).

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 "Basis of Preparation of Financial Statements and Specific Accounting Policies Used".

2.1.3 Functional currency

The Company's financial statements are expressed in TL, which is the functional and presentation currency of the Company.

2.1.4 Rounding degree used in the financial statements

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

2.1.5 Valuation method(s) used in the presentation of financial statements

Financial statements, except for revaluation of financial instruments, are prepared based on the historical cost method.

2.1.6 Adoption of New and Revised Standards

Changes in Turkish Financial Reporting Standards

Changes and interpretations in TMS/TFRS those are effective for the periods and the year starting from 1 January 2012 and not relevant for the financial statements of the Company:

- TFRS 7 (revised), "Financial instruments: Disclosures" (Effective for annual periods starting on or after 1 July 2011),
- TFRS 1 (revised), "First-time implementation of UFRS", Effective for annual periods starting on or after 1 July 2011),
- TMS 12 (revised), "Income Taxes", (Effective for annual periods starting on or after 1 January 2012),

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

- Standards, amendments and interpretations not yet effective and not early adopted by the Company:
- TMS 1, (revised), "Presentation of Financial Statements" (Effective for annual periods starting on or after 1 July 2012),
- TMS 19 (revised), "Benefits to the employees" (Effective for annual periods starting on or after 1 January 2013),
- TFRS 9, "Financial Instruments", (Effective for annual periods starting on or after 1 January 2015),
- TFRS 10, "Consolidated Financial Statements" (Effective for annual periods starting on or after 1 January 2013),
- TFRS 11, "Common Regulations" (Effective for annual periods starting on or after 1 January 2013).
- TFRS 12, "Disclosures related to the shares on other institutions" (Effective for annual periods starting on or after 1 January 2013).
- TFRS 13, "Fair Value Calculation" (Effective for annual periods starting on or after 1 January 2013).
- TAS 27 (revised), "Non-consolidated financial statements" (Effective for annual periods starting on or after 1 January 2013)
- TAS 28 (revised), "Subsidiaries and Shareholders" (Effective for annual periods starting on or after 1 January 2013)
- TFRYK 20, "Dismantling Costs During Production Related with Mines", (Effective for annual periods starting on or after 1 January 2013),
- TFRS 7 (amendment), "Financial Implements: Explanations", (Effective for annual periods starting on or after 1 January 2013),
- TMS 32 (amendment), "Financial Implements: Presentation", (Effective for annual periods starting on or after 1 January 2014),
- TFRS 1 (amendment), "First time Appliance of IFRS", (Effective for annual periods starting on or after 1 January 2013),
- Within the scope of developing the TFRS's, amendments have been made within 5 standards; TFRS 1, TMS 1, TMS 16, TMS 32 and TMS 34. Effective for annual periods starting on or after 1 January 2013.

The Company's work over defining the effects of the changes, came out within the standards and comments above, over the Company's subsequent financial tables.

2.2 Consolidation

The Company disposed of AvivaSA Emeklilik ve Hayat A.Ş., its joint venture, on 14 January 2010 by means of a partial spin-off and has no subsidiaries or joint ventures that fall within the scope of consolidation as per "TMS 27 – Consolidated and Unconsolidated Financial Statements" as of 31 December 2012 (31 December 2011: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.4 Discontinued Operations

The company does not have any discontinued or disposed operations as of 31 December 2012 and 31 December 2011.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.5 Foreign Currency Translation

The Company's functional currency is Turkish Lira ("TL"). In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Foreign exchange differences arising from the translation of non monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

2.6 Property, Plant and Equipment

Property, plant and equipment are carried at cost, less any accumulated depreciation and impairment loss.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company's accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets acquired under finance lease are depreciated as the same basis as property, plant and equipment or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

Depreciation periods for plant, property and equipment are presented in the table below:

| | <u>Useful Life</u> |
|------------------------|--------------------|
| Buildings | 50 years |
| Vehicles | 5 years |
| Fixtures | 10 years |
| Leasehold Improvements | 5 years |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.7 Investment Properties

Investment property is held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. Depreciation period for investment property is nil for land, and 50 years for buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to "Property, Plant and Equipment" up to the date of change in use.

Real estates held under finance lease are classified as investment properties.

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economical benefit are amortized over their estimated useful lives (not exceeding 3 years).

2.9 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

Financial assets are classified into the following specified categories: financial assets as "available-for-sale" (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables".

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Effective interest method

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

Available-for-sale financial assets

Investments other than a) held-to-maturity, b) held for trading, or c) loans and receivables are classified as available-for-sale financial assets.

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

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

Financial asset risks attributable to life insurance policyholders

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to insurees are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

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

Associates

An associate is an entity that retains at the shares of voting rights or has significant power over another entity. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.10 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

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

2.11 Derivative Financial Instruments

None (31 December 2011: None).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.12 Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement the liability take place simultaneously.

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note14).

2.14 Share Capital

As of 31 December 2012, the Company's nominal capital is TL 306,000,000 (31 December 2011: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0.01 each. The share capital structure of the Company is as follows:

| | 31 December 2012 | | 31 December 2011 | |
|----------------------------------|------------------|--------------|------------------|--------------|
| | Rate % | Amount TL | Rate % | Amount TL |
| H. Ömer Sabancı Holding A.Ş. | 36.00 | 110,160,000 | 33.11 | 101,322,754 |
| Ageas Insurance International NV | 36.00 | 110,160,000 | 33.11 | 101,322,754 |
| Other | 28.00 | 85,680,000 | 33.78 | 103,354,492 |
| | 100.00 | 306,000,000 | 100.00 | 306,000,000 |

Agreement related to the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio are going to be sold to Ageas Insurance International N.V. with a sale price of USD 220,029,000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

As of 31 December 2012, companies main shareholders have purchased Ak Sigorta shares amounting to 1,767,449,200 units which are quoted in Istanbul Stock Exchange and equally increased their shares.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of 31 December 2012, Company has TL 500,000,000 registered share capital. (31 December 2011: TL 500,000,000).

Other information about Company's share capital is explained in Note 15.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.15 Insurance and Investment Contracts - Classification

Insurance Contracts:

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insuree) when any uncertain case affects the insuree. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance contracts are accounted when the insurance risk is transferred, and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities

Investment Contracts:

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed

Reinsurance agreements

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has excess of loss and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches. The Company continues to be exposed to the insurance risk under the insurance contracts whereas the liability of the reinsurer ceases by the end of the agreement period. Company has annual proportional quota-share reinsurance agreement for third person liability, electronic equipment, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of "The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees" (the "Law") numbered 6111 and dated 25 February 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution ("SSI") regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 15 September 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation (the "Communique numbered 2012/3") making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 16 March 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 30 April 2012 and numbered 2012/6 (Note 2.24) (the "Communique numbered 2012/6"). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of 25 February 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Group has calculated the amount of the premiums to be ceded to SSI in 1 January - 31 December 2012 accounting period as TL 22,856,958 and an unearned premium reserve amounting to TL 11,034,941 as of 31 December 2012; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of Unearned Premiums Reserve", respectively (Note 19).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated 22 September 2011 and numbered 18, it was decided to appeal Council of State for the "suspense of execution" and "cancellation" of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (31 December 2011: None).

2.17 Investment Contracts without Discretionary Participation Features

None (31 December 2011: None).

2.18 Borrowings

None (31 December 2011: None).

2.19 Deferred 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 years and periods

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

The effective tax rate used in 2012 and 2011 is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate used in 2012 and 2011 is 20%. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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 5 years.

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 by the end of 22 July 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. 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 their investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Company. Investments without investment incentive certificates do not qualify for tax allowance.

2.20 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("IAS 19") and classifies in balance sheet under the account "Provision of Employment Termination Benefits".

According to the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labour Law by considering determined actuarial estimates (Note 22).

2.21 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured over expenditures expected to be required to settle the obligation by considering the risks and uncertainties related to the obligation at the balance sheet date. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to present value of the related cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised as an asset if and only if it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the non-consolidated financial statements (Note 23).

2.22 Accounting for revenues

Written Premium

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

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement.

The part of paid amounts to the assistance services which hit the following periods are deferred in accordance with the Technical Provisions Regulation numbered 27655 and dated 28 July 2010.

Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period's profit/loss. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.23 Finance Lease - the Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.24 Profit Share Distribution

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2011, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota . Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the "Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law" (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

Additionally, as stated within the aforementioned Board Decision, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

2.25 Convenience translation into English

The effects of differences between the accounting principles as set out by the insurance legislation and accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the financial statements. Accordingly, the financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

3 Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties.

4 Insurance and Financial Risk Management

4.1 Insurance Risk

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company's specified operations and limitations. Principally, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk

4.1.2 Details of insurance risk, including the following information (details prior and/or subsequent to minimizing risks through reinsurance);

4.1.2.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance programme.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

4.1.2.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Generally, the Company's insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

| | 31 December 2012 | | | 31 December 2011 | | |
|-----------------------------|---------------------------------|---|-------------------------------|---------------------------------|---|-------------------------------|
| | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability |
| Total Claims Liability | | | | | | |
| Fire and Natural Disaster | 54,588,965 | (42,416,056) | 12,172,909 | 29,413,275 | (21,129,185) | 8,284,090 |
| Marine | 1,995,795 | (1,247,505) | 748,290 | 10,181,490 | (6,488,775) | 3,692,715 |
| Accident | 3,739,484 | (1,722,436) | 2,017,048 | 3,770,624 | (1,412,661) | 2,357,963 |
| Motor Own Damage | 35,102,956 | (2,456,948) | 32,646,008 | 60,230,197 | (6,990,312) | 53,239,885 |
| Air Crafts | (18,913) | 18,914 | 1 | 1 | - | 1 |
| Water Crafts | 1,226,704 | (770,038) | 456,666 | 1,179,481 | (1,026,113) | 153,368 |
| General Losses | 131,105,483 | (126,796,949) | 4,308,534 | 23,754,362 | (18,310,114) | 5,444,248 |
| Motor Third Party Liability | 113,229,867 | (7,902,308) | 105,327,559 | 116,543,707 | (13,450,068) | 103,093,639 |
| Air Crafts Liability | 1,525,527 | (1,525,527) | - | 2,044,451 | (2,044,451) | - |
| General Liability | 22,383,629 | (16,744,025) | 5,639,604 | 19,407,763 | (15,084,725) | 4,323,038 |
| Financial Losses | 6,300,190 | (429,836) | 5,870,354 | 4,251,380 | (1,037,822) | 3,213,558 |
| Legal Protection | (281,913) | - | (281,913) | 94,301 | (9,430) | 84,871 |
| Credit | 736,601 | (717,019) | 19,582 | 847,196 | (847,196) | - |
| Health | 15,823,005 | (253,323) | 15,569,682 | 19,328,940 | (395,027) | 18,933,913 |
| Fidelity Guarantee | 337,277 | (244,770) | 92,507 | 689,365 | (499,619) | 189,746 |
| Life | 3,915,287 | (2,222) | 3,913,065 | 3,733,469 | (3,149) | 3,730,320 |
| Total | 391,709,944 | (203,210,048) | 188,499,896 | 295,470,002 | (88,728,647) | 206,741,355 |

(*) Total claim liability includes all outstanding claims reserves as of the balance sheet date and incurred but not reported claims as the actuarial chain ladder method and additional reserves from outstanding claims reserve adequacy calculation.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

4.1.2.3 Comparison of incurred claims with past estimations (claims development process)

Outstanding Claim and Compensation Provision:

| | 31 December 2012 | | | | 31 December 2011 | | | |
|-----------------------|-----------------------------------|---------------------------------|---|-------------------------------|---------------------------------|---|-------------------------------|--|
| | Effect on Current Period (Net) | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | |
| Unpaid Claims | (100,336) | 348,643,696 | (178,938,036) | 169,705,660 | 241,855,905 | (72,250,581) | 169,605,324 | |
| Claim Provisions (*) | 18,524,540 | 39,150,961 | (24,269,790) | 14,881,171 | 49,880,628 | (16,474,917) | 33,405,711 | |
| Clean-cut Effect (**) | 7,757,417 | - | - | - | - | - | - | |
| Non-life Total | 26,181,621 | 387,794,657 | (203,207,826) | 184,586,831 | 291,736,533 | (88,725,498) | 203,011,035 | |
| Life | (182,745) | 3,915,287 | (2,222) | 3,913,065 | 3,733,469 | (3,149) | 3,730,320 | |
| Grand Total | 25,998,876 | 391,709,944 | (203,210,048) | 188,499,896 | 295,470,002 | (88,728,647) | 206,741,355 | |

| | 31 December 2011 | | | | 31 December 2010 | | | |
|-----------------------|-----------------------------------|---------------------------------|---|-------------------------------|---------------------------------|---|-------------------------------|--|
| | Effect on Current Period (Net) | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | |
| Unpaid Claims | (13,096,491) | 241,855,905 | (72,250,581) | 169,605,324 | 241,980,996 | (85,472,163) | 156,508,833 | |
| Claim Provisions (*) | 11,422,568 | 49,880,628 | (16,474,917) | 33,405,711 | 56,443,423 | (11,615,144) | 44,828,279 | |
| Clean-cut Effect (**) | 7,373,512 | - | - | - | - | - | - | |
| Non-life Total | 5,699,589 | 291,736,533 | (88,725,498) | 203,011,035 | 298,424,419 | (97,087,307) | 201,337,112 | |
| Life | 44,191 | 3,733,469 | (3,149) | 3,730,320 | 3,779,414 | (4,903) | 3,774,511 | |
| Grand Total | 5,743,780 | 295,470,002 | (88,728,647) | 206,741,355 | 302,203,833 | (97,092,210) | 205,111,623 | |

(*) Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

(**) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized 2011 premium and claims portfolio outputs by December 31, 2011. As per the same agreement, portfolio inputs are also made in 2012. Effect of 2012 portfolio input has influenced fiscal year Ceded Reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| | 31 December 2012 | | | 31 December 2011 | | |
|-------------------------------|---------------------------------|---|-------------------------------|---------------------------------|---|-------------------------------|
| | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability | Gross Total Claims Liability | Reinsurance Share of Total Claims Liability | Net Total Claims Liability |
| Beginning of Period | 241,855,905 | (72,250,581) | 169,605,324 | 241,980,996 | (85,472,163) | 156,508,833 |
| Opened in the Period | 851,344,161 | (216,881,693) | 634,462,468 | 653,345,266 | (94,718,771) | 558,626,495 |
| Paid from Current Period (-) | (529,870,750) | 78,420,796 | (451,449,954) | (465,048,507) | 76,816,797 | (388,231,710) |
| Paid from Previous Period (-) | (214,685,620) | 31,773,442 | (182,912,178) | (188,421,850) | 31,123,556 | (157,298,294) |
| Period End Reported Claims | 348,643,696 | (178,938,036) | 169,705,660 | 241,855,905 | (72,250,581) | 169,605,324 |

Claim development tables used within the new actuarial chain ladder method calculations, prepared with accordance to Technical Reserves Regulations are presented below.

Gross claim development table prepared on the principles of incurred claims by December 31, 2012:

| Accident period | 1 January 2006- 31 December 2006 | 1 January 2007- 31 December 2007 | 1 January 2008- 31 December 2008 | 1 January 2009- 31 December 2009 | 1 January 2010- 31 December 2010 | 1 January 2011- 31 December 2011 | 1 January 2012- 31 December 2012 | Gross Claim |
|--|---|---|---|---|---|--|---|---------------|
| Claim realized in the accident period | 1,011,842,627 | 101,352,913 | 56,984,505 | 59,498,078 | 51,209,080 | 36,721,141 | 14,255,701 | 1,331,864,045 |
| 1 year later | 826,181,084 | 106,189,520 | 54,913,719 | 51,180,435 | 43,673,609 | 17,711,753 | - | 1,099,850,120 |
| 2 years later | 1,021,742,196 | 127,369,757 | 70,169,844 | 63,355,521 | 24,901,605 | - | - | 1,307,538,923 |
| 3 years later | 1,203,931,351 | 195,662,380 | 130,903,082 | 64,771,861 | - | - | - | 1,595,268,674 |
| 4 years later | 1,115,043,403 | 124,401,659 | 43,161,565 | - | - | - | - | 1,282,606,627 |
| 5 years later | 1,292,330,601 | 114,887,091 | - | - | - | - | - | 1,407,217,692 |
| 6 years later | 1,641,039,757 | - | - | - | - | - | - | 1,641,039,757 |
| Total Gross Claims | 8,112,111,019 | 769,863,320 | 356,132,715 | 238,805,895 | 119,784,294 | 54,432,894 | 14,255,701 | 9,665,385,838 |

Gross claim development table prepared on the principles of incurred claims by December 31, 2011:

| Accident period | 1 January 2005- 31 December 2005 | 1 January 2006- 31 December 2006 | 1 January 2007- 31 December 2007 | 1 January 2008- 31 December 2008 | 1 January 2009- 31 December 2009 | 1 January 2010- 31 December 2010 | 1 January 2011- 31 December 2011 | Gross Claim |
|--|---|---|---|---|---|---|--|---------------|
| Claim realized in the accident period | 582,004,908 | 67,088,556 | 69,300,927 | 61,082,044 | 59,769,751 | 40,727,433 | 14,185,749 | 894,159,368 |
| 1 year later | 1,013,555,872 | 101,939,985 | 57,631,617 | 60,386,803 | 52,818,885 | 24,745,724 | - | 1,311,078,886 |
| 2 years later | 828,808,540 | 106,923,243 | 55,980,948 | 52,259,749 | 27,873,946 | - | - | 1,071,846,426 |
| 3 years later | 1,026,304,101 | 129,659,614 | 72,373,133 | 47,010,891 | - | - | - | 1,275,347,739 |
| 4 years later | 1,208,258,415 | 198,337,329 | 103,214,508 | - | - | - | - | 1,509,810,252 |
| 5 years later | 1,119,612,753 | 89,473,205 | - | - | - | - | - | 1,209,085,958 |
| 6 years later | 1,079,104,099 | - | - | - | - | - | - | 1,079,104,099 |
| Total Gross Claims | 6,857,648,688 | 693,421,932 | 358,501,133 | 220,739,487 | 140,462,582 | 65,473,157 | 14,185,749 | 8,350,432,728 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

4.1.2.4 Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

The Company has clean-cut agreements in relation to its car-accident branch, and premium and loss portfolio withdrawals related to these agreements are recognized by the Company as of 31 December 2011. In accordance with these agreements, portfolio additions are also recognized in 2012. The reinsurance share of outstanding claim reserve and unearned premium reserve have been affected from these portfolio additions in 2012.

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

The Company's main purpose in capital management is to maintain its going concern status as an income yielding company and to protect shareholder and corporate partners' benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on 19 January 2008. As a result of the Company's capital adequacy calculation, it is TL 267,349,097 higher than required capital adequacy (31 December 2011: TL 285,755,747). Company's equity is TL 178,447,968 higher than adequate amount of equity (31 December 2011: TL 132,761,200).

4.2.2 Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company's risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company's performance. The Company's exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices.

Exchange rate risk

The Company's foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of 31 December 2011 are presented in details in Note 12.4.

Sensitivity to exchange rate risk

The Company's sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| | 31 December 2012 | | 31 December 2011 | |
|------------------------|------------------|------------|------------------|------------|
| | USD Effect | EUR Effect | USD Effect | EUR Effect |
| Profit/Loss Increase | (359,369) | 360,343 | 1,297,450 | 677,457 |
| Profit/Loss (Decrease) | 359,369 | (360,343) | (1,297,450) | (677,457) |

Interest rate risk

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company's sensitivity to interest rate risk results from the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

| | 31 December 2012 | 31 December 2011 |
|--|--------------------------------------|---|
| | Effect on profit and profit reserves | |
| Total | | |
| Market interest rate increase/(decrease) | TL | TL |
| +5% | (1,791,750) | (2,049,607) |
| -5% | 2,033,024 | 2,259,434 |
| Financial assets held for trading | | Effect on profit |
| Market interest rate increase/(decrease) | TL | TL |
| +5% | - | (124,904) |
| -5% | - | 132,558 |
| Financial assets available for sale | | Effect on profit and profit reserves |
| Market interest rate increase/(decrease) | TL | TL |
| +5% | (1,791,750) | (1,924,703) |
| -5% | 2,427,766 | 2,126,876 |

Price risk

The Company is exposed to price risk due to its equity investments. Equity investments are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of December 31, 2012, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

Liquidity risk table

31 December 2012

| | Up to 1 month | 1 - 3 month | 3 months-1 year | 1 -5 years | 5 years and over | No maturity | Total |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| Cash and Cash Equivalents | 486,975,505 | 180,091,312 | 70,243,832,00 | - | - | 2,488,241 | 739,798,890 |
| Financial Assets Available for Sale | 41,289 | 39,679,00 | 16,861,300,00 | 16,817,495 | - | 125,125 | 33,884,888 |
| Investments with Risks on Policy Holders | - | 6,242,975 | - | - | - | - | 6,242,975 |
| Receivables From Main Operations | 77,061,685 | 98,868,816 | 118,200,543 | 559,913 | - | - | 294,690,957 |
| Due from Related Parties | - | - | 63,248 | - | - | - | 63,248 |
| Other Receivables | - | 8,304,568 | - | - | - | - | 8,304,568 |
| Prepaid Expenses and Income Accruals | 13,819,037 | 23,527,633 | 56,388,971 | 5,352,516 | 18,368 | - | 99,106,525 |
| Other Current Assets | 22 | - | 6,103,102 | - | - | - | 6,103,124 |
| Financial Assets | - | - | - | - | - | 30,116,653 | 30,116,653 |
| Tangible Fixed Assets | - | - | - | - | - | 32,275,150 | 32,275,150 |
| Intangible Fixed Assets | - | - | - | - | - | 12,013,551 | 12,013,551 |
| Other Non-current Assets | - | - | - | - | - | 4,551,823 | 4,551,823 |
| Total Assets | 577,897,538 | 317,074,983 | 267,860,996 | 22,729,924 | 18,368 | 81,570,543 | 1,267,152,352 |
| Payables From Main Operations | - | - | 74,900,628 | - | - | - | 74,900,628 |
| Due to Related Parties | 277,751 | - | 176,580 | - | - | - | 454,331 |
| Other Payables | - | 33,450,426 | - | 9,235,187 | - | - | 42,685,613 |
| Insurance Technical Reserves | 135,015,483 | 203,718,910 | 270,713,084 | 37,101,834 | 85,466 | - | 646,634,777 |
| Taxes and Other Liabilities and Relevant Provisions | - | 17,537,018 | - | - | - | - | 17,537,018 |
| Cost Expense Provisions | - | - | 11,893,738 | - | - | - | 11,893,738 |
| Accruals | 3,138,513 | 5,343,483 | 12,659,313 | 1,215,638 | 4,172 | - | 22,361,119 |
| Long Term Insurance Technical Reserves | - | - | - | 2,597,676 | 22,199,697 | - | 24,797,373 |
| Provisions for Other Risks | - | - | - | - | - | 2,290,103 | 2,290,103 |
| Shareholders' Equity | - | - | - | - | - | 423,597,652 | 423,597,652 |
| Total Liabilities and Shareholders' Equity | 138,431,747 | 260,049,837 | 370,343,343 | 50,150,335 | 22,289,335 | 425,887,755 | 1,267,152,352 |
| Liquidity Surplus/(Deficit) | 439,465,791 | 57,025,146 | (102,482,347) | (27,420,411) | (22,270,967) | (344,317,212) | - |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Liquidity risk table

31 December 2011

| | Up to 1 month | 1 - 3 month | 3 months-1 year | 1 - 5 years | 5 years and over | No maturity | Total |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|----------------------|
| Cash and Cash Equivalents | 225,757,861 | 103,552,311 | 318,361,776 | - | - | 3,930,212 | 651,602,160 |
| Financial Assets Available for Sale | - | 2,239,663 | 43,734,379 | 11,474,786 | - | 130,565 | 57,579,393 |
| Financial Assets Held for Trading | - | 6,810,375 | 1,114,651 | - | - | - | 7,925,026 |
| Investments with Risks on Policy Holders | - | - | 5,615,562 | - | - | - | 5,615,562 |
| Receivables From Main Operations | 82,752,732 | 106,170,332 | 126,929,717 | 601,263 | - | - | 316,454,044 |
| Due from Related Parties | 48,689 | - | 52,628 | - | - | - | 101,317 |
| Other Receivables | - | 4,280,137 | - | - | - | - | 4,280,137 |
| Prepaid Expenses and Income Accruals | 12,735,209 | 21,682,360 | 51,367,957 | 4,932,718 | 16,927 | - | 90,735,171 |
| Other Current Assets | 190,307 | - | 3,384,481 | - | - | - | 3,574,788 |
| Financial Assets | - | - | - | - | - | 30,116,653 | 30,116,653 |
| Tangible Fixed Assets | - | - | - | - | - | 34,175,529 | 34,175,529 |
| Intangible Fixed Assets | - | - | - | - | - | 8,854,103 | 8,854,103 |
| Other Non-Current Assets | - | - | - | - | - | 2,128,644 | 2,128,644 |
| Total Assets | 321,484,798 | 244,735,178 | 550,561,151 | 17,008,767 | 16,927 | 79,335,706 | 1,213,142,527 |
| Payables From Main Operations | - | - | 95,298,531 | - | - | - | 95,298,531 |
| Due to Related Parties | - | - | 175,066 | - | - | - | 175,066 |
| Other Payables | - | 28,596,179 | - | 9,685,292 | - | - | 38,281,471 |
| Insurance Technical Reserves | 134,468,895 | 199,568,314 | 239,092,195 | 34,639,703 | 74,827 | - | 607,843,934 |
| Taxes and Other Liabilities and Relevant Provisions | - | 13,273,694 | - | - | - | - | 13,273,694 |
| Cost Expense Provisions | - | - | 12,295,015 | - | - | - | 12,295,015 |
| Accruals | 3,009,654 | 5,120,147 | 12,139,556 | 1,165,727 | 4,000 | - | 21,439,084 |
| Long Term Insurance Technical Reserves | - | - | - | 3,368,712 | 15,708,383 | - | 19,077,095 |
| Provisions for Other Risks | - | - | - | - | - | 2,650,075 | 2,650,075 |
| Shareholders' Equity | - | - | - | - | - | 402,808,562 | 402,808,562 |
| Total Liabilities and Shareholders' Equity | 137,478,549 | 246,558,334 | 359,000,363 | 48,859,434 | 15,787,210 | 405,458,637 | 1,213,142,527 |
| Liquidity Surplus/(Deficit) | 184,006,249 | (1,823,156) | 191,560,788 | (31,850,667) | (15,770,283) | (326,122,931) | - |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Categories of Financial Assets

| Current Financial Assets | 31 December 2012 | | 31 December 2011 | |
|--|-------------------|-------------------|--------------------|--------------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Financial Assets Available for Sale | 33,884,888 | 33,884,888 | 57,579,393 | 57,579,393 |
| Financial Assets Held for Trading | - | - | 7,925,026 | 7,925,026 |
| Financial Investments with Risks on Policy Holders | 6,242,975 | 6,242,975 | 5,615,562 | 5,615,562 |
| Non-Current Financial Assets | | | | |
| Affiliates | 30,116,653 | 30,116,653 | 30,116,653 | 30,116,653 |
| Total Financial Assets | 70,244,516 | 70,244,516 | 101,236,634 | 101,236,634 |

Fair value of financial assets

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

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

The fair value of financial assets shown in the following table in terms of valuation methods is shown divided into three categories. "Category 1", was organized market obtained from fair values (market data), the "Category 2" precedent that has truth according to processes and "Category 3" is the future cash flows to their present reduced according to the values that are valued financial assets represents.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Fair values of financial assets and level classifications

| | 31 December 2012 | Category 1 | Category 2 | Category 3 |
|--|--------------------|-------------------|------------|------------|
| Financial Assets Available for Sale | 33,884,888 | 33,884,888 | - | - |
| Unlisted Equity Shares | 125,125 | 125,125 | - | - |
| Government Bonds & Treasury Bills | 33,759,763 | 33,759,763 | - | - |
| Financial Investments with Risks on Policy Holders | 6,242,975 | 6,242,975 | - | - |
| Affiliates (*) | 30,116,653 | - | - | - |
| Total | 70,244,516 | 40,127,863 | - | - |
| | 31 December 2011 | Category 1 | Category 2 | Category 3 |
| Financial Assets Held for Trading | 7,925,026 | 7,925,026 | - | - |
| Government Bonds & Treasury Bills | 7,925,026 | 7,925,026 | - | - |
| Financial Assets Available for Sale | 57,579,393 | 57,579,393 | - | - |
| Unlisted Equity Shares | 130,566 | 130,566 | - | - |
| Government Bonds & Treasury Bills | 57,448,827 | 57,448,827 | - | - |
| Financial Investments with Risks on Policy Holders | 5,615,562 | 5,615,562 | - | - |
| Affiliates (*) | 30,116,653 | - | - | - |
| Total | 101,236,634 | 71,119,981 | - | - |

(*) As the working for determining the fair value of Merter BV, one of the affiliates, has not been completed, cost value has been used for valuation.

The following methods and assumptions are used in fair value estimations for financial instruments of which their fair value cannot be practically measured:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Financial assets:

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

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities:

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

5. Segment information

5.1 Operating segments

The Company only performs non-life insurance activities. Technical income/expenses in the financial statements are mainly from non-life insurance branches. The Company has no impairment loss recognized in profit/loss or directly in equity.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Segment results for the year ended 31 December 2012:

| | Fire and Natural Disaster | Transportation | Motor Own Damage | Motor Third Party Liability |
|--|--------------------------------------|-----------------------|-----------------------------|--|
| TECHNICAL INCOME | 75,718,730 | 13,260,471 | 381,418,687 | 186,154,464 |
| 1- Earned Premiums (Net of Reinsurer Share) | 66,819,050 | 12,023,753 | 374,412,737 | 177,625,876 |
| 1.1 - Premiums (Net of Reinsurer Share) | 81,899,557 | 11,839,579 | 381,165,217 | 197,751,679 |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | (15,080,507) | 256,064 | (6,752,480) | (10,449,590) |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | - | (71,890) | - | (9,676,213) |
| 2- Other Technical Income (Net of Reinsurance Share) | 8,899,680 | 1,236,718 | 7,005,950 | 8,528,588 |
| TECHNICAL EXPENSES | (61,477,747) | (3,511,891) | (360,705,245) | (222,789,717) |
| 1- Total Claims (Net of Reinsurer Share) | (30,716,034) | (1,196,188) | (260,545,401) | (169,292,722) |
| 1.1- Claims Paid (Net of Reinsurer Share) | (27,167,770) | (3,837,315) | (286,138,424) | (169,775,114) |
| 1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | (3,548,264) | 2,641,127 | 25,593,023 | 482,392 |
| 2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses | (4,031,206) | - | (2,268,138) | - |
| 3- Operating Expenses | (24,287,229) | (2,315,703) | (79,487,685) | (47,796,148) |
| 4- Other Technical Expenses (Net of Reinsurer Share) (-) | (2,443,278) | - | (18,404,021) | (5,700,847) |
| | 14,240,983 | 9,748,580 | 20,713,442 | (36,635,253) |
| Investment income | - | - | - | - |
| Depreciation expense | - | - | - | - |
| Provisions account | - | - | - | - |
| Tax expense | - | - | - | - |
| Financial expenses | - | - | - | - |
| Other | - | - | - | - |
| Net Profit/(Loss) | 14,240,983 | 9,748,580 | 20,713,442 | (36,635,253) |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| Other Accident | Engineering | Agriculture | Health | Life | Undistributed | Total |
|---------------------|---------------------|---------------------|----------------------|------------------|--------------------|----------------------|
| 90,555,096 | 14,386,266 | 15,954,513 | 168,161,807 | 977,354 | - | 946,587,388 |
| 83,001,218 | 13,629,840 | 15,055,411 | 161,960,995 | 40,428 | - | 904,569,308 |
| 81,295,457 | 14,623,896 | 15,097,094 | 172,760,459 | 41,788 | - | 956,474,726 |
| 1,665,074 | (994,056) | (44,276) | (10,799,464) | (1,360) | - | (42,200,595) |
| 40,687 | - | 2,593 | - | - | - | (9,704,823) |
| 7,553,878 | 756,426 | 899,102 | 6,200,812 | 936,926 | - | 42,018,080 |
| (57,614,931) | (11,529,370) | (10,841,608) | (162,445,284) | (906,218) | - | (891,822,011) |
| (16,138,322) | (7,461,331) | (5,323,375) | (116,335,291) | (1,354,592) | - | (608,363,256) |
| (12,241,838) | (7,749,758) | (6,307,593) | (119,972,473) | (1,171,847) | - | (634,362,132) |
| (3,896,484) | 288,427 | 984,218 | 3,637,182 | (182,745) | - | 25,998,876 |
| (9,161) | (182,809) | - | - | 766,895 | - | (5,724,419) |
| (41,254,920) | (3,538,343) | (5,518,233) | (42,035,290) | (318,521) | - | (246,552,072) |
| (212,528) | (346,887) | - | (4,074,703) | - | - | (31,182,264) |
| 32,940,165 | 2,856,896 | 5,112,905 | 5,716,523 | 71,136 | - | 54,765,377 |
| - | - | - | - | - | 70,357,756 | 70,357,756 |
| - | - | - | - | - | (4,365,549) | (4,365,549) |
| - | - | - | - | - | (10,831,166) | (10,831,166) |
| - | - | - | - | - | (14,453,854) | (14,453,854) |
| - | - | - | - | - | (46,915,648) | (46,915,648) |
| - | - | - | - | - | 115,807 | 115,807 |
| 32,940,165 | 2,856,896 | 5,112,905 | 5,716,523 | 71,136 | (6,092,654) | 48,672,723 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Segment results for the year ended 31 December 2011:

| | Fire and Natural Disaster | Transportation | Motor Own Damage | Motor Third Party Liability |
|--|--------------------------------------|-----------------------|-----------------------------|--|
| TECHNICAL INCOME | 54,204,872 | 12,958,601 | 339,709,576 | 148,988,954 |
| 1- Earned Premiums (Net of Reinsurer Share) | 50,563,841 | 12,422,769 | 325,948,529 | 143,505,774 |
| 1.1 - Premiums (Net of Reinsurer Share) | 57,679,975 | 12,489,802 | 367,011,878 | 165,674,672 |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | (7,116,134) | (347,702) | (41,063,349) | (21,896,915) |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | - | 280,669 | - | (271,983) |
| 2- Other Technical Income (Net of Reinsurance Share) | 3,641,031 | 535,832 | 13,761,047 | 5,483,180 |
| TECHNICAL EXPENSES | (43,507,734) | (4,143,900) | (361,485,526) | (129,693,941) |
| 1- Total Claims (Net of Reinsurer Share) | (21,450,132) | (2,195,398) | (273,104,246) | (94,049,083) |
| 1.1- Claims Paid (Net of Reinsurer Share) | (19,665,955) | (1,392,851) | (262,652,788) | (113,584,851) |
| 1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | (1,784,177) | (802,547) | (10,451,458) | 19,535,768 |
| 2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses | (3,437,733) | - | (1,266,673) | - |
| 3- Operating Expenses | (16,793,419) | (1,948,502) | (71,210,679) | (33,101,013) |
| 4- Other Technical Expenses (Net of Reinsurer Share) (-) | (1,826,450) | - | (15,903,928) | (2,543,845) |
| | 10,697,138 | 8,814,701 | (21,775,950) | 19,295,013 |
| Investment income | - | - | - | - |
| Depreciation expense | - | - | - | - |
| Provisions account | - | - | - | - |
| Tax expense | - | - | - | - |
| Financial expenses | - | - | - | - |
| Other | - | - | - | - |
| Net Profit/(Loss) | 10,697,138 | 8,814,701 | (21,775,950) | 19,295,013 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| Other Accident | Engineering | Agriculture | Health | Life | Undistributed | Total |
|---------------------|---------------------|---------------------|----------------------|------------------|--------------------|----------------------|
| 71,906,951 | 12,464,130 | 11,592,849 | 151,356,109 | 967,362 | - | 804,149,404 |
| 65,623,903 | 11,985,342 | 10,948,692 | 148,338,394 | 111,704 | - | 769,448,948 |
| 75,651,520 | 14,283,787 | 13,337,144 | 156,178,193 | 111,378 | - | 862,418,349 |
| (9,986,142) | (2,298,445) | (2,385,859) | (7,839,799) | 326 | - | (92,934,019) |
| (41,475) | - | (2,593) | - | - | - | (35,382) |
| 6,283,048 | 478,788 | 644,157 | 3,017,715 | 855,658 | - | 34,700,456 |
| (45,216,946) | (10,278,635) | (11,036,895) | (161,059,468) | (745,761) | - | (767,168,806) |
| (10,360,412) | (8,114,757) | (7,368,384) | (121,350,608) | (1,793,204) | - | (539,786,224) |
| (7,403,285) | (9,161,652) | (6,384,718) | (123,446,509) | (1,837,395) | - | (545,530,004) |
| (2,957,127) | 1,046,895 | (983,666) | 2,095,901 | 44,191 | - | 5,743,780 |
| (15,542) | (144,347) | - | - | 1,118,491 | - | (3,745,804) |
| (34,343,453) | (1,848,947) | (3,668,511) | (36,300,497) | (71,048) | - | (199,286,069) |
| (497,539) | (170,584) | - | (3,408,363) | - | - | (24,350,709) |
| 26,690,005 | 2,185,495 | 555,954 | (9,703,359) | 221,601 | - | 36,980,598 |
| - | - | - | - | - | 57,604,191 | 57,604,191 |
| - | - | - | - | - | (5,093,561) | (5,093,561) |
| - | - | - | - | - | (4,897,220) | (4,897,220) |
| - | - | - | - | - | (5,655,167) | (5,655,167) |
| - | - | - | - | - | (41,641,560) | (41,641,560) |
| - | - | - | - | - | (5,267,962) | (5,267,962) |
| 26,690,005 | 2,185,495 | 555,954 | (9,703,359) | 221,601 | (4,951,279) | 32,029,319 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

6. Tangible fixed assets

31 December 2012

| <u>Cost Value</u> | Owner Occupied Properties | Vehicles | Furnitures and Fixtures and Leased Tangible Assets | Other Tangible Assets (Including Leasehold Improvements) | Total |
|----------------------------------|------------------------------|----------|---|---|--------------|
| - | | | | | |
| 1 January | 38,837,294 | 32,050 | 22,495,690 | 2,414,980 | 63,780,014 |
| Additions | - | - | 736,436 | 32,176 | 768,612 |
| Disposals | - | - | (1,686,942) | - | (1,686,942) |
| 31 December | 38,837,294 | 32,050 | 21,545,184 | 2,447,156 | 62,861,684 |
| <u>Accumulated Depreciation</u> | | | | | |
| 1 January | (11,306,717) | (26,344) | (16,884,928) | (2,139,567) | (30,357,556) |
| Charge for the Period | (775,786) | (5,706) | (184,235) | (117,365) | (1,083,092) |
| Disposals | - | - | 118,157 | - | 118,157 |
| 31 December | (12,082,503) | (32,050) | (16,951,006) | (2,256,932) | (31,322,491) |
| Net Book Value as of 31 December | 26,754,791 | - | 4,594,178 | 190,224 | 31,539,193 |

31 December 2011

| <u>Cost Value</u> | Owner Occupied Properties | Vehicles | Furnitures and Fixtures and Leased Tangible Assets | Other Tangible Assets (Including Leasehold Improvements) | Total |
|----------------------------------|------------------------------|----------|---|---|--------------|
| 1 January | 38,837,294 | 49,550 | 24,040,903 | 2,348,015 | 65,275,762 |
| Additions | - | - | 879,138 | 66,965 | 946,103 |
| Disposals | - | (17,500) | (2,424,351) | - | (2,441,851) |
| 31 December | 38,837,294 | 32,050 | 22,495,690 | 2,414,980 | 63,780,014 |
| <u>Accumulated Depreciation</u> | | | | | |
| 1 January | (10,530,131) | (23,726) | (17,800,470) | (2,033,686) | (30,388,013) |
| Charge for the Period | (776,586) | (6,410) | (1,359,830) | (105,881) | (2,248,707) |
| Disposals | - | 3,792 | 2,275,372 | - | 2,279,164 |
| 31 December | (11,306,717) | (26,344) | (16,884,928) | (2,139,567) | (30,357,556) |
| Net Book Value as of 31 December | 27,530,577 | 5,706 | 5,610,762 | 275,413 | 33,422,458 |

The Company has no impairment loss recognized for tangible fixed assets in the current period.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

7. Investment Properties

31 December 2012

| <u>Cost Value</u> | - | Land | Buildings | Total |
|----------------------------------|---|---------|-----------|-----------|
| - | - | | | |
| 1 January | | 286,578 | 567,611 | 854,189 |
| 31 December | | 286,578 | 567,611 | 854,189 |
| <u>Accumulated Depreciation</u> | - | | | |
| 1 January | | - | (101,118) | (101,118) |
| Charge for the Period | | - | (17,114) | (17,114) |
| 31 December | | - | (118,232) | (118,232) |
| Net Book Value as of 31 December | | 286,578 | 449,379 | 735,957 |

31 December 2011

| <u>Cost Value</u> | - | Land | Buildings | Total |
|----------------------------------|---|---------|-----------|-----------|
| 1 January | | 286,578 | 754,899 | 1,041,477 |
| Disposals | | - | (187,288) | (187,288) |
| 31 December | | 286,578 | 567,611 | 854,189 |
| <u>Accumulated Depreciation</u> | - | | | |
| 1 January | | - | (148,930) | (148,930) |
| Charge for the Period | | - | (16,178) | (16,178) |
| Disposals | | - | 63,990 | 63,990 |
| 31 December | | - | (101,118) | (101,118) |
| Net Book Value as of 31 December | | 286,578 | 466,493 | 753,071 |

The fair value of investment properties was determined by an independent valuation company as of 31 December 2012 and 31 December 2011. The valuation company, which is authorized by the CMB, has the necessary qualifications and experience in the valuation of the related real estate. Valuation study, which was undertaken in accordance with International Valuation Standards, is performed based on by the reference prices of similar real estate transactions in the market.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

8. Intangible Fixed Assets

31 December 2012

| <u>Cost Value</u> | Advances for Intangible Assets (*) | Rights | Total |
|----------------------------------|---------------------------------------|--------------|--------------|
| - | - | | |
| 1 January | - | 15,594,992 | 15,594,992 |
| Additions | 4,709,039 | 1,715,752 | 6,424,791 |
| 31 December | 4,709,039 | 17,310,744 | 22,019,783 |
| <u>Accumulated Amortization</u> | - | | |
| 1 January | - | (6,740,889) | (6,740,889) |
| Charge for the Period | - | (3,265,343) | (3,265,343) |
| 31 December | - | (10,006,232) | (10,006,232) |
| Net Book Value as of 31 December | 4,709,039 | 7,304,512 | 12,013,551 |

31 December 2011

| <u>Cost Value</u> | | Rights | Total |
|----------------------------------|---|-------------|-------------|
| - | - | | |
| 1 January | - | 11,756,263 | 11,756,263 |
| Additions | - | 3,838,729 | 3,838,729 |
| 31 December | - | 15,594,992 | 15,594,992 |
| <u>Accumulated Amortization</u> | - | | |
| 1 January | - | (3,912,213) | (3,912,213) |
| Charge for the Period | - | (2,828,676) | (2,828,676) |
| 31 December | - | (6,740,889) | (6,740,889) |
| Net Book Value as of 31 December | - | 8,854,103 | 8,854,103 |

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economical benefits no amortization calculated over those.

The Company has not recognized any impairment loss for its intangible fixed assets in the current period (31 December 2011: None)

The Company has no goodwill amount in its financial statements.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

9. Investments in Affiliates

An affiliate is an entity, over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of 31 December 2012, the Company has an affiliate as Merter BV amounting to TL 30,116,653 (31 December 2011: TL 30,116,653) with a 25% of participation. Since the company does not have any effect on management of this affiliate the value of the affiliate is carried in financials over that amount.

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

| | 31 December 2012 | 31 December 2011 |
|--|-------------------|-------------------|
| Financial Assets Available for Sale | 33,884,888 | 57,579,393 |
| Financial Assets Held for Trading | - | 7,925,026 |
| Financial Investments with Risks on Policy Holders | 6,242,975 | 5,615,562 |
| Total | 40,127,863 | 71,119,981 |

| Financial Assets Available for Sale | 31 December 2012 | | | 31 December 2011 | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost Value | Fair Value | Book Value | Cost Value | Fair Value | Book Value |
| | TL | TL | TL | TL | TL | TL |
| Government Bonds | 32,447,915 | 33,759,763 | 33,759,763 | 56,538,854 | 57,448,827 | 57,448,827 |
| Equity Shares (Unlisted) | 125,125 | - | 125,125 | 130,566 | - | 130,566 |
| Total | 32,573,040 | 33,759,763 | 33,884,888 | 56,669,420 | 57,448,827 | 57,579,393 |

| Financial Investments with Risks on Policy Holders | 31 December 2012 | | | 31 December 2011 | | |
|--|------------------|------------|------------|------------------|------------|------------|
| | Cost Value | Fair Value | Book Value | Cost Value | Fair Value | Book Value |
| | TL | TL | TL | TL | TL | TL |
| Government Bonds | 5,672,011 | 6,242,975 | 6,242,975 | 5,206,276 | 5,615,562 | 5,615,562 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Equity shares under financial assets available-for-sale is as below:

31 December 2012

| Equity Shares | Participation Rate % | Cost Value TL | Fair Value TL | Book Value TL |
|---|-------------------------|------------------|------------------|------------------|
| Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş. | 4.35 | 125,125 | - | 125,125 |
| Unlisted | | 125,125 | - | 125,125 |
| Total | | 125,125 | - | 125,125 |

31 December 2011

| Equity Shares | Participation Rate % | Cost Value TL | Fair Value TL | Book Value TL |
|---|-------------------------|------------------|------------------|------------------|
| Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş. | 4.35 | 130,566 | - | 130,566 |
| Unlisted | | 130,566 | - | 130,566 |
| Total | | 130,566 | - | 130,566 |

The Company does not have assets held for trading as of 31 December 2012.

The financial assets held for trading as of 31 December 2011 are presented below:

31 December 2011

Financial Assets Held for Trading

| | Cost Value TL | Fair Value TL | Book Value TL |
|------------------|------------------|------------------|------------------|
| Government Bonds | 7,722,550 | 7,925,026 | 7,925,026 |
| Total | 7,722,550 | 7,925,026 | 7,925,026 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

11.2 Securities other than equity shares issued in the current period:

None (31 December 2011: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (31 December 2011: None).

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

Cost, fair value and book values of marketable securities are presented in Note 11.1.

Financial assets consist of unlisted assets, and cost and book value of financial assets are presented as below:

Affiliates

| Unlisted | 31 December 2012 | | | | 31 December 2011 | | |
|-----------|--------------------|------------|------------|--------------------|------------------|------------|--|
| | Participation Rate | Cost Value | Book Value | Participation Rate | Cost Value | Book Value | |
| | % | TL | TL | % | TL | TL | |
| Merter BV | 25 | 30,116,653 | 30,116,653 | 25 | 30,116,653 | 30,116,653 | |

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

None (31 December 2011: None).

11.6 Value increases of financial assets in the last three years

| Type of Financial Asset | 31 December 2012 | 31 December 2011 | 31 December 2010 |
|-------------------------------------|------------------|------------------|------------------|
| Financial Assets Available for Sale | 183,320 | (865,162) | - |

Value increases reflect the difference between the book value and cost value of the financial assets at period end.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8. Financial Instruments

The Company does not apply any hedge accounting.

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

12. Receivables and Payables

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

12.1 Details of the Company's receivables

| | 31 December 2012 | 31 December 2011 |
|---|---------------------|---------------------|
| Receivables from insurance operations | | |
| Receivables from agencies | 267,352,233 | 252,343,386 |
| Receivables from reinsurance companies | 11,220,047 | 49,622,518 |
| Receivables from insurees | - | 4,382 |
| Claim recovery and salvage receivables - net (Note 2.1.1) | 14,121,324 | 15,891,061 |
| Rediscount of the receivables from insurance operations (-) | - | (2,241,461) |
| Receivables from insurance operations | 292,693,604 | 315,619,886 |
| Other receivables | 81,790 | 144,133 |
| Cash deposited for insurance and reinsurance companies | 30,954 | 30,954 |
| Receivables from insurance and reinsurance operations | 112,744 | 175,087 |
| Claim recovery receivables under legal follow-up | 27,268,570 | 20,919,266 |
| Doubtful receivables from main operations | 22,800,458 | 23,266,720 |
| Receivables from main operations | 342,875,376 | 359,980,959 |
| Provision for due from insurance operations (-) (*) | (1,866,354) | (2,883,354) |
| Provision for doubtful claim recovery and salvage receivables (-) (Note 2.1.1) (**) | (1,292,903) | (1,935,641) |
| Provision for doubtful receivables from main operations (-) (***) | (17,756,592) | (17,788,654) |
| Provision for net claim recovery receivables under legal follow-up (-) (***) | (27,268,570) | (20,919,266) |
| Total provision amount for doubtful receivables | (48,184,419) | (43,526,915) |
| Receivables from main operations - net | 294,690,957 | 316,454,044 |

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from reinsurance operations.

(***) In balance sheet disclosed under provision for receivables from main operations

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Aging of receivables from insurance operations is as follows:

| | 31 December 2012 | 31 December 2011 |
|---------------------|--------------------|--------------------|
| 0-60 days | 7,095,923 | 13,547,600 |
| 61-90 days | 1,821,343 | 1,074,134 |
| 90+ | 3,292,436 | 3,258,264 |
| Not due receivables | 280,596,646 | 297,914,975 |
| Total | 292,806,348 | 315,794,973 |

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

| Type of Guarantee | 31 December 2012 | | 31 December 2011 | |
|------------------------------------|--------------------|-------------------------|--------------------|-------------------------|
| | Receivables | Doubtful Receivables | Receivables | Doubtful Receivables |
| Letters of Guarantee | 28,924,738 | 5,000 | 35,775,792 | - |
| Real Estate Pledges | 71,983,035 | 6,141,547 | 73,654,108 | 6,871,797 |
| Government Bonds and Equity Shares | 89,090 | - | 84,090 | - |
| Other | 627,857 | - | 664,518 | - |
| Total | 101,624,720 | 6,146,547 | 110,178,508 | 6,871,797 |

The Company books provision for 100% of doubtful receivables discluding guarantees. The movement table of provision for doubtful receivables under legal follow-up is presented below:

| | 2012 | 2011 |
|-------------------------------------|---------------------|---------------------|
| Opening Balance, 1 January | (38,707,920) | (38,061,903) |
| Charge for the Period | (18,708,843) | (8,651,890) |
| Collections | 12,391,601 | 8,005,873 |
| Closing Balance, 31 December | (45,025,162) | (38,707,920) |

Aging of receivables from insurance operations is as follows:

| | 31 December 2012 | 31 December 2011 |
|--------------|-------------------|-------------------|
| 0-30 days | 2,891 | 24,574 |
| Over 90 days | 50,066,137 | 44,161,412 |
| Total | 50,069,028 | 44,185,986 |

12.2 Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to shareholders presented in the balance sheet amounting to TL 176,580 consists of unclaimed dividend payments attributable to prior periods (31 December 2011: TL 175,066).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 107,771,267 (31 December 2011: TL 107,439,002).

12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below:

31 December 2012

| Banks (Foreign Currency) | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|--------------------------|-------------------------------|---------------|-------------|
| USD | 1,632,629 | 1,7826 | 2,910,324 |
| EUR | 1,310,359 | 2,3517 | 3,081,571 |
| GBP | 3,730 | 2,8708 | 10,708 |
| CHF | 14,787 | 1,9430 | 28,731 |
| Other | | | 5,072 |
| Total | | | 6,036,406 |

| Receivables from Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|---------------------------------------|-------------------------------|---------------|-------------|
| USD | 11,545,002 | 1,7826 | 20,580,121 |
| EUR | 8,984,174 | 2,3517 | 21,128,082 |
| GBP | 57,827 | 2,8708 | 166,010 |
| CHF | 4,986 | 1,9430 | 9,688 |
| Other | | | 638 |
| Total | | | 41,884,539 |

| Outstanding Claims Reserve | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|----------------------------|-------------------------------|---------------|-------------|
| USD | (1,472,326) | 1,7912 | (2,637,230) |
| EUR | (550,468) | 2,3630 | (1,300,756) |
| Other | | | (153) |
| Total | | | (3,938,139) |

| Payables from Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|------------------------------------|-------------------------------|---------------|--------------|
| USD | (13,721,288) | 1,7826 | (24,459,568) |
| EUR | (8,211,797) | 2,3517 | (19,311,683) |
| Other | | | (14,111) |
| Total | | | (43,785,362) |

| | | | |
|-------------------------------|--|--|---------|
| Net Foreign Currency Position | | | 197,444 |
|-------------------------------|--|--|---------|

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

31 December 2011

| Banks (Foreign Currency) | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|--------------------------|-------------------------------|---------------|-------------|
| USD | 999,127 | 1,8889 | 1,887,251 |
| EUR | 1,672,782 | 2,4438 | 4,087,945 |
| GBP | 8,738 | 2,9170 | 25,489 |
| CHF | 146 | 2,0062 | 293 |
| Other | | | 5,976 |
| Total | | | 6,006,954 |

| Receivables from Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|---------------------------------------|-------------------------------|---------------|-------------|
| USD | 14,233,456 | 1,8889 | 26,885,575 |
| EUR | 4,773,493 | 2,4438 | 11,665,462 |
| GBP | 4,749 | 2,9170 | 13,853 |
| CHF | 925 | 2,0062 | 1,856 |
| Other | | | 976 |
| Total | | | 38,567,722 |

| Outstanding Claims Reserve | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|----------------------------|-------------------------------|---------------|-------------|
| USD | (926,504) | 1,8980 | (1,758,505) |
| EUR | (457,397) | 2,4556 | (1,123,184) |
| Other | | | (5,466) |
| Total | | | (2,887,155) |

| Payables from Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|------------------------------------|-------------------------------|---------------|--------------|
| USD | (7,437,267) | 1,8889 | (14,048,254) |
| EUR | (3,216,734) | 2,4438 | (7,861,055) |
| Other | | | (83,506) |
| Total | | | (21,992,815) |

| | | | |
|-------------------------------|--|--|------------|
| Net Foreign Currency Position | | | 19,694,706 |
|-------------------------------|--|--|------------|

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

13. Derivative Financial Instruments

As of 31 December 2012 and 31 December 2011, the Company has no derivative financial instruments.

14. Cash and Cash Equivalents

| | 31 December 2012 | 31 December 2011 |
|--|--------------------|--------------------|
| Cash at Banks | 586,948,648 | 519,894,669 |
| Time Deposit | 584,460,407 | 515,964,457 |
| Demand Deposit | 2,488,241 | 3,930,212 |
| Bank Guaranteed Credit Card Receivables with Maturities less than three months | 152,850,242 | 131,707,491 |
| Total | 739,798,890 | 651,602,160 |
| Interest Accrual on Cash and Cash Equivalents (-) | (1,388,608) | (3,950,486) |
| Cash Flow Based Grand Total | 738,410,282 | 647,651,674 |
| Blocked Deposits | 95,005,640 | 101,833,705 |

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company's shareholders and its shareholders' equity structure as of 31 December 2012 and 31 December 2011 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in "Related Parties" note.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Presented in the statement of changes in equity.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company's issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (31 December 2011: 30,600,000,000 shares with a nominal amount of TL 0,01each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (31 December 2011: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0.01 per share (31 December 2011: TL 0.01 per share).

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

| | Number of Shares | |
|------------------------------------|-----------------------|-----------------------|
| | 31 December 2012 | 31 December 2011 |
| Beginning of the Period, 1 January | 30,600,000,000 | 30,600,000,000 |
| Issued in the Current Period | - | - |
| End of the Period | <u>30,600,000,000</u> | <u>30,600,000,000</u> |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company's Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1 dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company's capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (31 December 2011: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the "Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law" (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

Additionally, as stated within the aforementioned Board Decision, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

15.3.6 Equity shares held by the company, its affiliates or its subsidiaries

None (31 December 2011: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (31 December 2011: None).

15.4 Share based payments

None (31 December 2011: None).

15.5 Subsequent events

Disclosed in note 46.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders' equity in the current period in accordance with other standards and interpretations

| | 31 December 2012 | 31 December 2011 |
|---|------------------|------------------|
| Valuation difference of financial assets available for sale | 229,150 | (1,081,452) |
| Deferred Tax Effect | (45,830) | 216,290 |
| Total | 183,320 | (865,162) |

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

None (31 December 2011: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (31 December 2011: None).

16.4 Hedging against financial risks

None (31 December 2011: None).

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders' equity

| | 31 December 2012 Increase/(Decrease) | 31 December 2011 Increase/(Decrease) |
|--|---|---|
| Beginning of the Period, 1 January | (865,162) | - |
| Increase/decrease in value recognized under the shareholders' equity in the current period | 1,048,482 | (865,162) |
| End of the Period | 183,320 | (865,162) |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

16.6 Income and loss related to affiliates recognized directly in equity in the current period

None (31 December 2011: None).

16.7 Revaluation increases in tangible fixed assets

None (31 December 2011: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (31 December 2011: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company's guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

| Branch | 31 December 2012 | | 31 December 2011 | |
|------------------|--------------------------|------------------|--------------------------|------------------|
| | Amount to be Provided | Current Blockage | Amount to be Provided | Current Blockage |
| | TL | TL | TL | TL |
| Life | 6,641,056 | 8,866,908 | 7,617,488 | 8,002,514 |
| Government Bonds | | 6,242,216 | | 5,618,002 |
| Time Deposit | | 2,624,692 | | 2,384,512 |
| Non-Life | 97,129,861 | 101,411,162 | 75,557,085 | 101,955,426 |
| Government Bonds | | 9,030,214 | | 2,506,233 |
| Time Deposit | | 92,380,948 | | 99,449,193 |
| Total | 103,770,917 | 110,278,070 | 83,174,573 | 109,957,940 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

| | 2012 | | 2011 | |
|--------------------------------------|-------|--------------------------|-------|--------------------------|
| | Unit | Mathematical Reserves TL | Unit | Mathematical Reserves TL |
| Beginning of the Period, 1 January | 610 | 3,368,712 | 782 | 4,528,117 |
| Participations in the Current Period | - | 124,839 | - | 215,721 |
| Leavings in the Current Period | (120) | (895,875) | (172) | (1,375,126) |
| End of Period, 31 December | 490 | 2,597,676 | 610 | 3,368,712 |

Mathematical reserves amounting to TL 2,172,168 (31 December 2011: TL 2,570,229) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting to TL 425,508 (31 December 2011: TL 798,483) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Ready For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of 31.12.2012, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (31 December 2011: None).

17.3 Insurance guarantees given to non life insurances based on insurance branches

| Branch | 31 December 2012 | 31 December 2011 |
|-----------------------------|-------------------|-------------------|
| Motor Third Party Liability | 2,386,848,559,534 | 2,060,035,998,091 |
| Fire and Natural Disaster | 171,740,549,853 | 103,775,053,369 |
| General Losses | 127,262,876,858 | 70,645,403,455 |
| Marine | 41,411,143,938 | 48,853,563,632 |
| Accident | 26,420,749,007 | 44,219,296,539 |
| General Liability | 23,619,356,546 | 37,608,696,688 |
| Motor Own Damage | 18,747,522,382 | 19,290,202,594 |
| Financial Losses | 13,809,812,239 | 9,893,068,460 |
| Air Crafts Liability | 9,664,263,100 | 1,798,945,845 |
| Legal Protection | 6,791,626,848 | 7,441,268,647 |
| Health | 5,126,036,000 | 697,057,249 |
| Credit | 2,242,403,049 | 709,150,774 |
| Air Crafts | 860,261,676 | 628,895,963 |
| Water Crafts | 369,187,530 | 352,782,471 |
| Fidelity Guarantee | 354,649,228 | 321,901,503 |
| Life | 5,350,676 | 9,403,712 |
| Total | 2,835,274,348,464 | 2,406,280,688,992 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

None (31 December 2011: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (31 December 2011: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (31 December 2011: None).

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

None (31 December 2011: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (31 December 2011: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (31 December 2011: None).

17.10 Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (31 December 2011: None).

17.11 Number of transfers from the Company's individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (31 December 2011: None).

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (31 December 2011: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

17.14 Profit share distribution rate of life insurees in the current period

In the current period, profit share distribution rate of life insurees are calculated as below:

| | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---------------------|---------------------------------|---------------------------------|
| | Profit Share Distribution Rate | Profit Share Distribution Rate |
| | (%) | (%) |
| TL (Life Insurance) | 9.00 | 7.31 |

17.15 Explanation of information that describes amounts arose from insurance agreements

None (31 December 2011: None).

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

| Reinsurance Assets | 31 December 2012 | 31 December 2011 |
|--|---------------------------------|---------------------------------|
| Receivables from Reinsurance Companies | 11,220,047 | 49,622,518 |
| Cash Deposited For Insurance & Reinsurance Companies | 30,954 | 30,954 |
| Reinsurance Share of Unearned Premiums Reserve | 166,809,244 | 139,116,703 |
| Reinsurance Share of Outstanding Claims Reserve | 203,210,049 | 88,728,647 |
| Reinsurance Share of Unexpired Risks Reserve | 2,204,045 | 288,299 |
| Total | 383,474,339 | 277,787,121 |
| | | |
| Reinsurance Liabilities | 31 December 2012 | 31 December 2011 |
| Payables to Insurance and Reinsurance Companies | 53,491,556 | 73,359,625 |
| Payables to Agencies | 21,409,072 | 21,938,906 |
| Deferred Commissions Income | 22,361,119 | 21,439,084 |
| Total | 97,261,747 | 116,737,615 |
| | | |
| Income/Expense on Reinsurance Agreements | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
| Premiums Ceded to Reinsurers (-) | (354,857,099) | (274,318,266) |
| Commissions Received | 45,814,958 | 39,060,761 |
| Reinsurance Share of Unearned Premiums Reserve | 35,790,548 | 14,622,690 |
| Reinsurance Share of Unexpired Risks Reserve | 1,915,746 | (1,800,979) |
| Reinsurance Share of Outstanding Claims Reserve | 122,242,008 | (983,394) |
| Reinsurance Share of Claims Paid | 110,194,238 | 107,940,353 |
| Total | (38,899,601) | (115,478,835) |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| Branch | 31 December 2012 | | | 31 December 2011 | | |
|-----------------------------|----------------------|--|--|----------------------|--|--|
| | Premiums Ceded | Reinsurance Share of Technical Reserves | Reinsurance Share of Claims Paid | Premiums Ceded | Reinsurance Share of Technical Reserves | Reinsurance Share of Claims Paid |
| Fire and Natural Disaster | (138,557,676) | 32,568,851 | 22,902,792 | (101,176,720) | 5,228,662 | 23,494,419 |
| General Losses | (89,240,417) | 126,567,999 | 40,755,245 | (53,655,381) | (1,300,802) | 19,143,438 |
| Motor Own Damage | (27,941,842) | (1,381,014) | 22,419,668 | (41,423,617) | 6,230,447 | 34,779,044 |
| Motor Third Party Liability | (39,424,845) | 4,397,860 | 12,819,451 | (31,192,587) | (2,927,703) | 13,848,508 |
| Financial Losses | (16,089,572) | 2,100,471 | 75,672 | (13,266,897) | (4,834,818) | 5,319,914 |
| General Liability | (13,190,463) | 493,312 | 3,123,845 | (12,246,373) | 4,560,019 | 3,615,193 |
| Marine | (10,665,019) | (5,773,289) | 4,988,727 | (9,587,653) | 2,824,680 | 1,936,382 |
| Air Crafts Liability | (7,370,704) | 313,663 | - | (3,711,430) | 1,577,904 | 809 |
| Credit | (3,291,698) | 545,465 | 359,928 | (1,460,872) | 917,262 | 21,440 |
| Fidelity Guarantee | (2,869,789) | 136,624 | 189,607 | (2,188,351) | 415,343 | 48,992 |
| Accident | (2,314,764) | (176,947) | 577,964 | (2,720,851) | (917,098) | 814,349 |
| Air Crafts | (1,598,689) | 217,990 | 1,380,397 | (1,059,806) | (1,224,120) | 18,820 |
| Water Crafts | (1,412,997) | 26,797 | 575,050 | (1,153,630) | (3,763,529) | 3,689,965 |
| Health | (874,752) | 153,556 | 25,892 | 1,082,000 | (1,231,781) | 1,194,513 |
| Legal Protection | - | (244,983) | - | (520,743) | (21,532) | 14,567 |
| Life | (13,872) | (2,975) | - | (35,355) | 1,727 | - |
| Total | (354,857,099) | 159,943,380 | 110,194,238 | (274,318,266) | 5,534,661 | 107,940,353 |

The Company, as a ceding company, defers its commission income obtained from reinsurance agreements.

17.17 Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

17.18 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Disclosed in note 4.1.2.4.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

| | 2012 | |
|------------------------------------|--------------------|--------------------|
| | Insurance Payables | Reinsurance Assets |
| Beginning of the Period, 1 January | 116,737,615 | 277,787,121 |
| Movement in the Current Period | (19,475,868) | 105,687,218 |
| End of the Period, 31 December | 97,261,747 | 383,474,339 |

| | 2011 | |
|------------------------------------|--------------------|--------------------|
| | Insurance Payables | Reinsurance Assets |
| Beginning of the Period, 1 January | 60,547,066 | 270,696,800 |
| Movement in the Current Period | 56,190,549 | 7,090,321 |
| End of the Period, 31 December | 116,737,615 | 277,787,121 |

18. Investment Contract Liabilities

Disclosed in Note 17.2.

19. Trade and Other Payables, Deferred Income

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

| | 31 December 2012 | 31 December 2011 |
|---|--------------------|--------------------|
| Payables to agencies | 21,409,073 | 21,938,906 |
| Rediscount on payables from insurance operations | - | (275,925) |
| Payables to insurance and reinsurance companies | 53,491,555 | 73,635,550 |
| Payables from Insurance Operations | 74,900,628 | 95,298,531 |
| Payables to contracted enterprises | 7,898,757 | 13,034,775 |
| Payables to Turkish Catastrophe Insurance Pool | 8,728,804 | 4,383,609 |
| Payables to suppliers | 3,192,230 | 3,383,916 |
| Turkish Catastrophe Insurance Pool Payables to agencies | 685,811 | 494,568 |
| Payables to SSI regarding medical expenses (*) | 12,061,079 | 7,058,985 |
| Other | 883,745 | 240,326 |
| Other Payables | 33,450,426 | 28,596,179 |
| Deferred commission income | 22,361,119 | 21,439,084 |
| Expense accruals | 11,893,738 | 12,295,015 |
| Deferred Income and Expense Accruals | 34,254,857 | 33,734,099 |
| Total Short Term Liabilities | 142,605,911 | 157,628,809 |
| Payables to SSI regarding medical expenses (*) | 9,235,187 | 9,685,292 |
| Total Long Term Liabilities | 9,235,187 | 9,685,292 |
| Total Trade and Other Payables, Deferred Income | 151,841,098 | 167,314,101 |

(*) Movement of the payable to SSI related to medical expenses is presented below:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

| | |
|---|-------------------|
| 1 January, 2011 | - |
| Closed outstanding claims provision and incurred but not reported claims provision (1) | 4,599,245 |
| Premiums ceded to SSI (2) | 11,113,969 |
| The difference between notified liabilities for the year 2011 amount and the amount calculated (3) | 2,001,016 |
| Premium payments to SSI | (969,953) |
| 31 December, 2011 | 16,744,277 |
| 1 January, 2012 | 16,744,277 |
| Premiums ceded to SSI (4) | 21,773,981 |
| Correction notified in 2012 related to premium ceded to SSI between 25 February 2011 - 26 August 2011 (5) | 1,082,977 |
| The difference between notified liabilities for the year 2011 amount and the amount calculated (6) | 4,734,085 |
| Premium payments to SSI | (23,039,054) |
| 31 December, 2012 | 12,296,266 |

(1) As disclosed in Note 2.15, in accordance with the Communiqué numbered 2011/18, the Company has closed outstanding claim files regarding the claims related to treatment expenses dated before the enforcement of the Law and "incurred but not reported claims to be closed" calculated with respect to the related treatment expenses and classified the respective amounts to the "Paid claims" account. In accordance with the Communiqué numbered 2011/18, the Company has performed the ACLM provision calculations both including and excluding data related to treatment expenses as of 31 March 2011 and the difference between these calculations is determined as "incurred but not reported claims to be closed". Accordingly, the Company transferred the closed claim files regarding the claims related to treatment expenses dated before the enforcement of the Law amounting to TL 3,783,062 and "incurred but not reported claims to be closed" calculated in accordance with the Communiqué numbered 2011/18 amounting to TL 816,183 totally amounting to TL 4,599,245 to the account "Paid Claims" and classified the total amount to the account "Payables to SSI regarding medical expenses-long term". In accordance with the Communiqué numbered 2011/18, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses- short term", "Payables to SSI regarding medical expenses- long term" and charged to other technical income or expense account. In this context, the Company has deducted TL 1,533,082 from short term payables, TL 3,066,163 from long term payables from the related liability accounts and recognized a corresponding amount of income in the current period income statement.

(2) As disclosed in Note 2.15, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of 1 January – 30 June 2012 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 11,113,969 as of 1 January – 30 June 2012 and calculated a reinsurance share of unearned premium reserve amounting to TL 6,303,656 as of 30 June 2012. The amount of ceded premiums to SSI is classified under the account "Payables to SSI regarding treatment expenses - short term" and the payments made till 30 June 2012 are excluded from that account

(3) In accordance with the Communiqué numbered 2011/17, The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods. Regarding to this methodology, the company has excluded amount to TL 2,001,016 in accounts in order to account as other technical incomes for year of 2011 within notified liabilities.

(4) As disclosed in Note 2.15, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of 1 January - 30 December 2012 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 21,773,981 as of 1 January – 30 December 2012 and calculated a reinsurance share of unearned premium reserve amounting to TL 11,034,941 as of 30 December 2012. The amount of ceded premiums to SSI is classified under the account "Payables to SSI regarding treatment expenses - short term" and the payments made till 30 December 2012 are excluded from that account.

(5) In accordance with the 2012/3 numbered Communiqué, the Company has recalculated the certain amount of premiums to be ceded to SSI in relation with the policies issued after 25 February 2011 till the effective date of the regulation 26 August 2011 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches according to the fixed prices designated in accordance with the vehicle types in 2012/3 numbered Communiqué. Based on the aforementioned regulations, the Company has recorded the additional amount of the premiums to be ceded to SSI as TL 1,082,977 as of 1 January – 31 December 2012.

(6) In accordance with the Communiqué numbered 2011/17 and 2012/4, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses" in balance sheet and charged to other technical income or expense account in income statement. In this context, the Company has added TL 4,734,085 to the related liability account by considering the 1 January – 31 December 2012 liability and recognized a corresponding amount of income in the current period "Other Technical Income". The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications by Treasury in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

19.2 Related Parties

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

20. Payables

| Insurance Technical Reserves | 31 December 2012 | 31 December 2011 |
|-------------------------------------|--------------------|--------------------|
| Unearned Premiums Reserve- Net (*) | 448,114,008 | 400,786,528 |
| Unexpired Risks Reserve- Net | 10,020,873 | 316,051 |
| Outstanding Claims Reserve-Net (**) | 188,499,896 | 206,741,355 |
| Mathematical Reserves-Net | 2,597,676 | 3,368,712 |
| Equalization Reserve-Net | 22,199,697 | 15,708,383 |
| Total | 671,432,150 | 626,921,029 |

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 2,969,580, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off.

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share for the period between 1 January – 31 December 2012 which is TL 11,034,941 (2011: TL 6,303,656)

(**) Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2011 has taken part on 31 December 2011.

According to the same agreements the portfolio additions have been made within the year 2012. The effect of portfolio additions TL 7,757,417 in 2012 netted – off from outstanding claims (note 4.1.2.4) (31 December 2011: TL 7,373,513)

21. Deferred Income Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for Turkey Accounting Standards (TAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in Note 35.

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSI") as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers' order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on 2 November 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on 22 March 2007 as effective from the date of publishment in the Official Gazette no: 26479 on 31 March 2007.

On the other hand, the Act No: 5754 "Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements" published in the Official Gazette No: 26870 on 8 May 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Aksigorta A.Ş. is a member of Akbank T.A.Ş. Pension Fund (Akbank T.A.Ş. Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 3,125.01 for each period of service as of 31 December 2012 (31 December 2011: TL 2,731.85).

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2012 and 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 4,8% and a discount rate of 11%, resulting in a real discount rate of approximately 4,66%. The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

As the maximum liability is updated semi annually, the maximum amount of TL 3,033.98 effective from 1 January 2013 has been taken into consideration in calculation of provision from employment termination benefits (As of 1 January 2012, the ceiling on severance pay is TL 2,805.04 per month).

Movement of employee termination benefits provisions are presented in the statement below:

| | 2012 | 2011 |
|------------------------------------|-----------|-----------|
| Beginning of the Period, 1 January | 2,650,075 | 2,167,753 |
| Charge for the Period | 596,143 | 1,074,025 |
| Retirement Payments | (956,115) | (591,703) |
| End of the Period, 31 December | 2,290,103 | 2,650,075 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

| | 2012 | | 2011 | |
|------------------------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|
| | Unused Vacation Provisions | Social Security Premiums Payable | Unused Vacation Provisions | Social Security Premiums Payable |
| Beginning of the Period, 1 January | 1,976,488 | 856,815 | 2,150,394 | 749,883 |
| Movements in the Current Period | (351,058) | (756,928) | (173,906) | 106,932 |
| End of the Period, 31 December | 1,625,430 | 99,887 | 1,976,488 | 856,815 |

23.2 Off-balance sheet commitments

Company's statement of pledges and commitments as of 31 December 2012 and 2011 are presented below

| | 31 December 2012 | | 31 December 2011 | |
|---|-----------------------------|-------------|-----------------------------|-------------|
| | Amount in Original Currency | Amount (TL) | Amount in Original Currency | Amount (TL) |
| Collaterals, Pledges and Mortgages Given by the Company (CPM) | | | | |
| A. Total amount of CPMs given on behalf of the Company' legal entity | - | - | - | - |
| B. Total amount of CPMs given in favor of joint ventures included in full consolidation | - | - | - | - |
| C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities | | 116,947 | | 243,621 |
| TL | 106,469 | 106,469 | 232,415 | 232,415 |
| USD | 5,878 | 10,478 | 5,933 | 11,206 |
| D. Total amount of other CPMs given | | 10,669,714 | | 3,337,540 |
| i. Total amount of CPMs given in favor of the parent company | - | - | - | - |
| ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C | - | - | - | - |
| iii. Total amount of CPMs given in favor of third parties not included in clause C | | 10,669,714 | - | 3,337,540 |
| TL | 10,669,714 | 10,669,714 | 3,337,540 | 3,337,540 |
| Total | | 10,786,661 | | 3,581,161 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

23.3 Provisions, Contingents Assets and Liabilities

| Contingent Liabilities | 31 December 2012 | 31 December 2011 |
|---|-------------------|-------------------|
| Outstanding Claims under Litigation (*) | 89,992,650 | 86,521,267 |
| Total | 89,992,650 | 86,521,267 |
| | 31 December 2012 | 31 December 2011 |
| Subrogation Receivable Litigations | 36,978,122 | 29,854,943 |
| Trade Receivable Litigations and Executions | 11,491,644 | 12,142,213 |
| Total | 48,469,766 | 41,997,156 |

(*) As disclosed in note 2.1.1, net amount of discount was made over outstanding claim amount is TL 11,896,060 (31 December 2011: 8,805,614 TL).

23.4 Provision for Expense Accruals

| | 31 December 2012 | 31 December 2011 |
|-------------------------------|-------------------|-------------------|
| Commission provision | 4,353,370 | 4,111,079 |
| Performance premium provision | 3,511,728 | 2,237,855 |
| Guarantee fund provision | 2,166,337 | 1,752,503 |
| Unused vacation provision | 1,625,430 | 1,976,488 |
| Other | 236,873 | 2,217,090 |
| Total | 11,893,738 | 12,295,015 |

24. Net Insurance Premium Revenue

| Non-life Branches | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|--------------------------------|--------------------------------|--------------------------------|
| Motor Own Damage | 381,165,219 | 367,011,881 |
| Motor Third Party Liability | 197,751,679 | 165,674,672 |
| Health | 172,760,459 | 156,178,193 |
| Fire and Natural Disaster | 81,899,557 | 57,679,974 |
| General Losses | 51,131,305 | 47,543,450 |
| Financial Losses | 32,752,054 | 20,649,337 |
| Accident | 13,564,230 | 20,624,000 |
| Marine | 11,259,511 | 12,112,763 |
| General Liability | 10,284,173 | 9,616,477 |
| Legal Protection | 2,980,077 | 4,688,594 |
| Water Crafts | 580,068 | 377,039 |
| Fidelity Guarantee | 248,819 | 135,235 |
| Credit | 55,257 | 15,323 |
| Air Crafts | 331 | 1 |
| Air Crafts Liability | 199 | 32 |
| Total Non-life Branches | 956,432,938 | 862,306,971 |
| Life | 41,788 | 111,378 |
| Total | 956,474,726 | 862,418,349 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

25. Fee Income

None (31 December 2011:None).

26. Investment Income/(Expense)

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|-----------------|--------------------------------|--------------------------------|
| Interest Income | 59,429,905 | 42,982,569 |
| Repo Income | - | 3,137 |
| Rent Income | 299,375 | 264,808 |
| Total | 59,729,280 | 43,250,514 |

27. Net Accrual Income on Financial Assets

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|--------------------------------|--------------------------------|
| Financial Assets Available for Sale | | |
| Valuation differences recognized under shareholders' equity | 183,320 | (865,162) |
| Total | 183,320 | (865,162) |

28. Assets Held At Fair Value through Profit and Loss

Net gain/loss of assets held at fair value through profit and loss reflected to the income statement as of the balance sheet date is TL 5,130,804 (31 December 2011: TL 5,692,738).

29. Insurance Rights and Demands

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|-----------------------------|--------------------------------|--------------------------------|
| Outstanding Claims Reserve | | |
| Motor Own Damage | 25,593,022 | (10,236,848) |
| Health | 3,637,182 | 2,095,901 |
| Marine | 2,944,425 | (797,504) |
| General Losses | 1,135,757 | 230,920 |
| Legal Protection | 366,783 | (64,655) |
| Accident | 340,915 | 571,717 |
| Motor Third Party Liability | 251,358 | 19,535,768 |
| Fidelity Guarantee | 97,239 | (149,168) |
| Credit | (19,581) | - |
| Water Crafts | (303,298) | (5,044) |
| General Liability | (1,316,564) | (1,121,663) |
| Financial Losses | (2,656,797) | (3,069,695) |
| Fire and Natural Disaster | (3,888,820) | (1,290,140) |
| Total Non-life | 26,181,621 | 5,699,589 |
| Life | (182,745) | 44,191 |
| Total (*) | 25,998,876 | 5,743,780 |

(*) For current previous period comparison please refer to note 4.1.2.4.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

30. Investment Agreement Rights

None (31 December 2011: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|-------------------------------------|--------------------------------|--------------------------------|
| Production Commissions (-) | (211,652,993) | (170,302,482) |
| Reinsurance Commissions (+) | 45,814,958 | 39,060,761 |
| Employee Wages and Expenses (-) | (47,018,492) | (37,203,350) |
| Information Technology Expenses (-) | (8,354,491) | (5,699,839) |
| Transportation Expenses (-) | (3,677,024) | (2,811,783) |
| Meeting and Training Expenses (-) | (3,554,854) | (2,971,725) |
| Repair and Maintenance Expenses (-) | (3,211,465) | (3,354,363) |
| Advertisement Expenses (-) | (2,802,739) | (2,799,969) |
| Social Relief Expenses (-) | (2,495,780) | (2,021,022) |
| Rent Expenses (-) | (1,494,844) | (978,298) |
| Outsourcing Service Expenses (-) | (1,293,437) | (3,451,254) |
| Communication Expenses (-) | (1,228,464) | (930,981) |
| Other (-) | (5,582,447) | (5,821,764) |
| Total (*) | (246,552,072) | (199,286,069) |

33. Employee Benefit Expenses

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---------------------------|--------------------------------|--------------------------------|
| Salary and Bonus Payments | (45,218,414) | (35,855,483) |
| Insurance Payments | (582,008) | (463,832) |
| Other Payments | (1,218,070) | (884,035) |
| Total (Note 32) | (47,018,492) | (37,203,350) |

34. Financing Costs:

34.1 Financial Expenses

None (31 December 2011: None).

34.2 Current period' s financial expenses related to shareholders, affiliates and subsidiaries:

None (31 December 2011: None).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

34.3 Sales transactions with shareholders, affiliates and subsidiaries

None (31 December 2011: None).

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

In the current period rent income from shareholder Hacı Ömer Sabancı Holding TL 13,268
(31 December 2011: TL 72,084).

34.5 The company does not apply hedge accounting.

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss.

None (31 December 2011: None).

35. Income Tax

| <u>Current Tax Liability</u> | 31 December 2012 | 31 December 2011 |
|--|--------------------------------|--------------------------------|
| Corporate Tax Liability Provision on Period Profit | 14,453,854 | 5,655,167 |
| Prepaid Taxes and Other Liabilities on Period Profit (-) | (7,836,105) | (2,660,185) |
| Total | 6,617,749 | 2,994,982 |
| | | |
| <u>Tax (Expense)/Income is Formed by the Items Below:</u> | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
| Current Tax Income/(Expense) | (14,453,854) | (5,655,167) |
| Deferred Tax Income/(Expense) due to Temporary Differences | 2,685,300 | (2,101,392) |
| Total Tax Income/(Expense) | (11,768,554) | (7,756,559) |

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities.

| <u>Deferred Tax</u> | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Recognized in the Shareholders' Equity: | | |
| Valuation of Financial Assets Available for Sale | (45,830) | 216,290 |
| Total | (45,830) | 216,290 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Items that are subject to deferred tax and corporate tax are summarized as follows:

| Deferred Tax Assets/(Liabilities) | 31 December 2012 | 31 December 2011 |
|--|------------------|------------------|
| Useful life differences of tangible and intangible assets | 279,296 | (805,146) |
| Retirement pay provision | 458,021 | 530,015 |
| Unused vacation provision | 325,086 | 395,298 |
| Payable/receivable discounts | - | 448,292 |
| Technical reserves | 2,459,634 | 319,653 |
| Doubtful receivable provisions | 373,271 | 576,671 |
| Other | 656,515 | 663,861 |
| Deferred Tax Assets/(Liabilities), Net | 4,551,823 | 2,128,644 |
| Movements of Deferred Tax Assets/(Liabilities): | 2012 | 2011 |
| Beginning of the Period, 1 January | 2,128,644 | 4,013,745 |
| Deferred Tax Income Recognized in the Income Statement | 2,685,300 | (2,101,392) |
| Deferred Tax Income Recognized in the Shareholders' Equity | (262,121) | 216,291 |
| Closing Balance, 31 December | 4,551,823 | 2,128,644 |

Reconciliation of period tax expense with net income for the period is as below:

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|--------------------------------|--------------------------------|
| Income Before Tax | 60,441,277 | 39,785,878 |
| Tax Calculated: 20% | (12,088,255) | (7,957,175) |
| Effect of Additions | (5,446,656) | (3,098,175) |
| Effect of Allowances | 3,081,057 | 5,400,183 |
| Corporate Tax Payable and Provision for Other Statutory Liabilities | (14,453,854) | (5,655,167) |
| Deferred Tax Income/(Expense) | 2,685,300 | (2,101,392) |

36. Net Foreign Exchange Gain/Loss

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|----------------------------|--------------------------------|--------------------------------|
| Recognized in Profit/Loss: | | |
| Foreign Exchange Income | 8,883,493 | 14,312,764 |
| Foreign Exchange Expense | (9,121,158) | (12,264,931) |
| | (237,665) | 2,047,833 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

37. Earnings per Share

| | 2012 | 2011 |
|---|----------------|----------------|
| Number of Equity Shares Outstanding | 30,600,000,000 | 30,600,000,000 |
| Beginning Period, 1 January | 30,600,000,000 | 30,600,000,000 |
| Number of Equity Shares Issued in Cash | - | - |
| Number of Equity Shares Outstanding | 30,600,000,000 | 30,600,000,000 |
| End of Period, 31 December | 30,600,000,000 | 30,600,000,000 |
| Weighted Average Number of Outstanding Shares | 30,600,000,000 | 30,600,000,000 |
| Net Profit for the Period/(Loss) (TL) | 48,672,723 | 32,029,319 |
| Earnings/(Loss) per Share (TL) | 0.159 | 0.105 |

38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on 30 May 2012, all of the net profit consisted in financial statements which represents 2011 operating results have been distributed to shareholders after legal reserves are calculated over. The amount that distributed is TL 28,932,115 and profit per share is TL 0,105.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

39. Cash Generated from the Operations

Net cash amount that generated from main operations, net cash generated from/used for investments, and net cash used for financing operations are in order : TL 67,705,755, TL 52,419,970 and TL (28,932,115) (31 December 2011: TL 75,182,269, TL 166,575,683 and None),

40. Equity Share Convertible Bonds

None (31 December 2010: None).

41. Cash Convertible Privileged Equity Shares

None (31 December 2010: None).

42. Risks

The Company's contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (31 December 2011: None).

45. Related Parties

The details of transactions between the Company and other related parties are disclosed below:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Due from/to related parties

| Company | 31 December 2012 | 31 December 2011 |
|--|-------------------|-------------------|
| Enerjisa Enerji Üretim A.Ş. | 10,936,303 | 3,338,065 |
| Sabancı Üniversitesi | 3,984,954 | 4,211,051 |
| Ak Finansal Kiralama A.Ş. | 3,342,333 | 2,800,100 |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. | 2,893,114 | 14,893 |
| Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş. | 619,523 | 591,028 |
| Temsa Global San. ve Tic. A.Ş. | 536,194 | 94,715 |
| Akçansa Çimento San. ve Tic. A.Ş. | 296,777 | 280,934 |
| Akbank Türk A.Ş. | 249,708 | 55,941 |
| Avivasa Emeklilik ve Hayat A.Ş. | 87,654 | 11,188 |
| Diasa Dia Sabancı Süpermarketler Ticaret A.Ş. | 85,802 | 6,178 |
| Olmuxsa International Paper Sabancı Ambalaj San. ve Tic. A.Ş. | 32,978 | 19,173 |
| Teknosa İç ve Dış Ticaret A.Ş. | 22,331 | 36,439 |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 21,362 | 453,260 |
| Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş. | 17,629 | 35,132 |
| Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş. | 13,416 | 14,061 |
| Bimsa Uluslararası İş. Bilgi ve Yönetim Sistemleri A.Ş. | 8,362 | (282) |
| Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.Ş. | 144 | - |
| Ak Yatırım Ortaklığı A.Ş. | (114) | (26) |
| Hacı Ömer Sabancı Vakfı | (179) | - |
| Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. | (678) | 390 |
| Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. | (1,350) | (747) |
| Çimsa Çimento San. ve Tic. A.Ş. | (2,026) | 60,750 |
| Yünsa Yünlü San. ve Tic. A.Ş. | (2,804) | 78,254 |
| Hacı Ömer Sabancı Holding A.Ş. | (10,524) | 47,772 |
| Başkent Elektrik Dağıtım A.Ş. | (28,221) | 185,885 |
| TOTAL | 23,102,688 | 12,334,154 |

(*) Amount TL 63,248 (31 December 2011: TL 52,628) of related party receivable balance is presented under "Other Related Party Receivable" line of financial statements. Rest of the balance is presented under "Receivable from Insurance Operations" line of financial statements.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Premium production

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|--|--------------------------------|--------------------------------|
| Insuree | | |
| Enerjisa Enerji Üretim A.Ş. | 24,729,807 | 21,712,677 |
| Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş. | 10,965,002 | 8,468,485 |
| Ak Finansal Kiralama A.Ş. | 8,344,032 | 7,193,578 |
| Temsa Global San. ve Tic. A.Ş. | 6,704,476 | 4,082,970 |
| Akbank Türk A.Ş. | 6,174,091 | 4,827,118 |
| Sabancı Üniversitesi | 5,708,715 | 4,606,334 |
| Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. | 5,136,190 | 2,791,560 |
| Başkent Elektrik Dağıtım A.Ş. | 5,043,970 | 2,921,432 |
| Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş. | 4,168,964 | 3,773,432 |
| Akçansa Çimento San. ve Tic. A.Ş. | 3,850,950 | 3,483,576 |
| Çimsa Çimento San. ve Tic. A.Ş. | 3,803,871 | 3,210,359 |
| Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş. | 3,022,911 | 2,283,115 |
| Teknosa İç ve Dış Ticaret A.Ş. | 3,022,691 | 1,028,154 |
| Pmsa Philip Morris Sabancı Paz. ve Satış A.Ş. | 2,770,943 | 2,679,828 |
| Olmuxsa International Paper Sabancı Ambalaj San. ve Tic. A.Ş. | 2,537,426 | 2,209,539 |
| Avivasa Emeklilik ve Hayat A.Ş. | 2,403,880 | 2,136,721 |
| Yünsa Yünlü San. ve Tic. A.Ş. | 1,474,951 | 1,107,466 |
| Hacı Ömer Sabancı Holding A.Ş. | 1,141,584 | 2,033,313 |
| Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. | 311,223 | 255,572 |
| Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. | 302,081 | 279,717 |
| Diasa Dia Sabancı Süpermarketler Ticaret A.Ş. | 272,196 | 367,270 |
| Ak Yatırım Menkul Değerler A.Ş. | 270,663 | 249,254 |
| Ak Portföy Yönetimi A.Ş. | 194,319 | 147,251 |
| Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.Ş. | 131,523 | 107,957 |
| Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş. | 87,056 | 70,289 |
| Hacı Ömer Sabancı Vakfı | 61,813 | 56,388 |
| Ak Yatırım Ortaklığı A.Ş. | 24,153 | 19,808 |
| AEO (Hilton International) | 8,865 | 1,890 |
| TOTAL | 102,668,346 | 82,105,052 |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Interest Income Received from Related Parties

| Company | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---------------|--------------------------------|--------------------------------|
| Akbank T.A.Ş. | 45,384,456 | 33,707,715 |
| Total | 45,384,456 | 33,707,715 |

The detail of dividend income received from related parties is presented in Note 26.

The company has donated TL 3,100,000 to Hacı Ömer Sabancı Foundation in 2012 (2011: 1,769,000 TL).

46. Subsequent Events

The Company has been subjected to tax investigation in the year 2012 regarding corporate tax calculation of the year 2010 and additional tax amounting to TL 60,9 million and its penalty amounting to TL 91.4 million has been charged to the Company at 4 February 2013. The Company will utilize its legal rights against the claims and in this respect no payment is planned at this stage. No provision is accounted for in the financial statements regarding this matter.

The tax investigation was related to the spin off transaction which was subject to tax investigation in 2010. Upon reconciliation with the Ministry of Finance, adjustments have been made on the tax burden and the inter-related tax penalty that have been charged to the Company in 2010, being TL101,5 million and TL 152,3 million respectively, where the tax penalty has been waived and the total tax burden of TL101,5 million has been decreased to TL8 million.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

47. Other

Details of "Other" items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

| Other Receivables | 31 December 2012 | 31 December 2011 |
|---|--------------------------------|--------------------------------|
| Receivables from Tarım Sigortaları A.Ş. | 6,001,742 | 3,165,740 |
| Other Receivables | 2,165,934 | 1,023,544 |
| Total | 8,167,676 | 4,189,284 |
| Other Short Term Payables | 31 December 2012 | 31 December 2011 |
| Payables to contracted enterprises | 7,898,757 | 13,034,775 |
| Payables to Turkish Catastrophe Insurance Pool | 8,728,804 | 4,383,609 |
| Payables to suppliers | 3,192,230 | 3,383,916 |
| Turkish Catastrophe Insurance Pool Payables to agencies | 685,811 | 494,568 |
| Other | 883,745 | 240,326 |
| Total | 21,389,347 | 21,537,194 |
| Other Prepaid Expenses | 31 December 2012 | 31 December 2011 |
| Prepaid Expenses | 649,351 | 208,024 |
| Total | 649,351 | 208,024 |
| Income and Profit/Expenses and Losses from Other and Extraordinary Activities | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
| Provisions Account (+/-) | (10,831,166) | (4,897,220) |
| Provisions for doubtful receivable | (5,325,397) | (466,503) |
| Retirement pay provision | (596,143) | (1,074,025) |
| Provisions for other expenses | (4,909,626) | (3,356,692) |
| Discount account (+/-) | 1,965,536 | (191,244) |
| Compulsory earthquake insurance account (+/-) | 383,522 | 295,331 |
| Deferred tax asset account (+/-) | 2,685,300 | (2,101,392) |
| Other income and profit | 2,103,711 | 2,304,626 |
| Other expenses and losses (-) | (7,022,262) | (5,575,283) |
| Banking expenses | (4,632,626) | (3,623,074) |
| Previous period expenses and losses | (889,769) | 794,634 |
| Other | (1,499,867) | (2,746,842) |
| Total | (10,715,359) | (10,165,182) |

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF PROFIT DISTRIBUTION
(Audited)

| | Note | Current Period (01/01/2012 - 31/12/2012) | Previous Period (01/01/2011 - 31/12/2011) | TL |
|---|------|--|---|----|
| I. DISTRIBUTION OF PERIOD PROFIT | | | | |
| 1.1 PERIOD PROFIT | | 39,785,877 | - | - |
| 1.2 TAXES AND DUTIES PAYABLE (-) | | (7,756,559) | - | - |
| 1.2.2 Corporate tax (Income tax) | | (5,655,167) | - | - |
| 1.2.2. Income withholding tax | | - | - | - |
| 1.2.3 Other taxes and duties | | (2,101,392) | - | - |
| A. NET PERIOD PROFIT (1.1-1.2) | | 32,029,318 | - | - |
| 1.3 PRIOR PERIODS' LOSSES (-) | | - | - | - |
| 1.4 FIRST LEGAL RESERVES | | (1,601,466) | - | - |
| 1.5 COMPULSORY LEGAL FUNDS TO BE RETAINED AND INVESTED IN THE COMPANY (-) | | (132,526) | - | - |
| B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)] | | 30,295,326 | - | - |
| 1.6 FIRST DIVIDEND TO SHAREHOLDERS (-) | | 15,300,000 | - | - |
| 1.6.1 To Holders of Ordinary Shares | | 15,300,000 | - | - |
| 1.6.2 To Holders of Preferred Shares | | - | - | - |
| 1.6.3 To Holders of Participating Redeemed Shares | | - | - | - |
| 1.6.4 To Holders of Bonds Participating to Profit | | - | - | - |
| 1.6.5 To Holders of Profit and Loss Sharing Certificates | | - | - | - |
| 1.7 DIVIDENDS TO PERSONNEL (-) | | - | - | - |
| 1.8 DIVIDENDS TO SHAREHOLDERS (-) | | - | - | - |
| 1.9 DIVIDENDS TO BOARD OF DIRECTORS (-) | | - | - | - |
| 1.10 SECOND DIVIDEND TO SHAREHOLDERS (-) | | 13,632,115 | - | - |
| 1.10.1 To Holders of Ordinary Shares | | 13,632,115 | - | - |
| 1.10.2 To Holders of Preferred Shares | | - | - | - |
| 1.10.3 To Holders of Participating Redeemed Shares | | - | - | - |
| 1.10.4 To Holders of Bonds Participating to Profit | | - | - | - |
| 1.10.5 To Holders of Profit and Loss Sharing Certificates | | - | - | - |
| 1.11 SECOND LEGAL RESERVES (-) | | (1,363,211) | - | - |
| 1.12. STATUTORY RESERVES (-) | | - | - | - |
| 1.13. EXTRAORDINARY RESERVES | | - | - | - |
| 1.14 OTHER RESERVES | | - | - | - |
| 1.15 SPECIAL FUNDS | | - | - | - |

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF PROFIT DISTRIBUTION
(Audited)

TL

| | Note | Current Period (01/01/2012 - 31/12/2012) | Previous Period (01/01/2011 - 31/12/2011) |
|--|------|--|---|
| II. DISTRIBUTION OF RESERVES | | | |
| 2.1 DISTRIBUTED RESERVES | | - | - |
| 2.2. SECOND LEGAL RESERVES (-) | | - | - |
| 2.3 DIVIDENDS TO SHAREHOLDERS (-) | | - | - |
| 2.3.1 To Holders of Ordinary Shares | | - | - |
| 2.3.2 To Holders of Preferred Shares | | - | - |
| 2.3.3 To Holders of Participating Redeemed Shares | | - | - |
| 2.3.4 To Holders of Bonds Participating to Profit | | - | - |
| 2.3.5 To Holders of Profit and Loss Sharing Certificates | | - | - |
| 2.4 DIVIDENDS TO PERSONNEL (-) | | - | - |
| 2.5 DIVIDENDS TO BOARD OF DIRECTORS (-) | | - | - |
| III. EARNINGS PER SHARE | | | |
| 3.1 TO OWNERS OF ORDINARY SHARES | | 0.09 | - |
| 3.2 TO OWNERS OF ORDINARY SHARES (%) | | - | - |
| 3.3 TO OWNERS OF PREFERRED SHARES | | - | - |
| 3.4 TO OWNERS OF PREFERRED SHARES (%) | | - | - |
| IV. DIVIDEND PER SHARE | | | |
| 4.1 TO OWNERS OF ORDINARY SHARES | | 28,932,115 | - |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | | - | - |
| 4.3 TO OWNERS OF PREFERRED SHARES | | - | - |
| 4.4 TO OWNERS OF PREFERRED SHARES (%) | | - | - |

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