



**AKSigorta**

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2007 ANNUAL REPORT

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## ANNUAL ACTIVITY REPORT

### Compliance Opinion

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

We have audited the accuracy and compliance of financial information provided in the accompanying annual activity report of Aksigorta A.Ş. ("the Company") with the audit report issued as of December 31, 2007. The Board of Directors of the Company is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Insurance Law No: 5684. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of Aksigorta A.Ş. as of December 31, 2007 in accordance with the prevailing accounting principles and standards set out in the Insurance Law No: 5684. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

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



Sibel Türker  
Partner  
İstanbul, March 14, 2008

## **GENERAL MEETING AGENDA**

**Aksigorta A.Ş. • March 31, 2008**

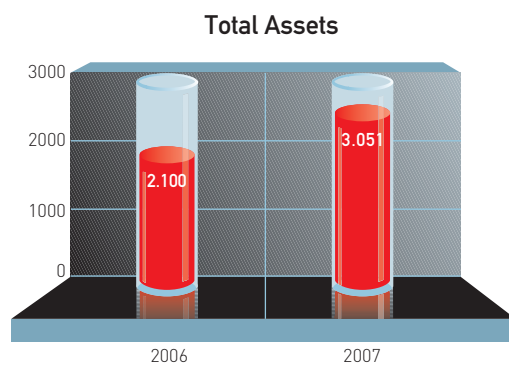
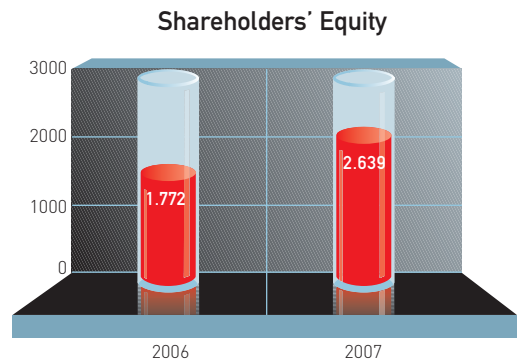
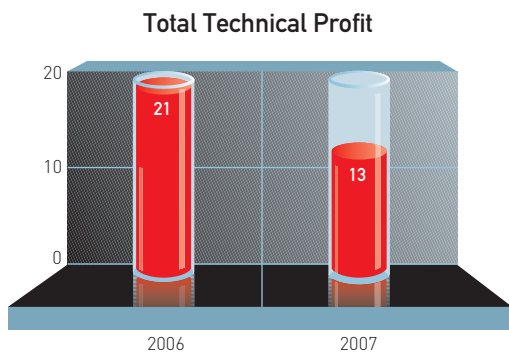
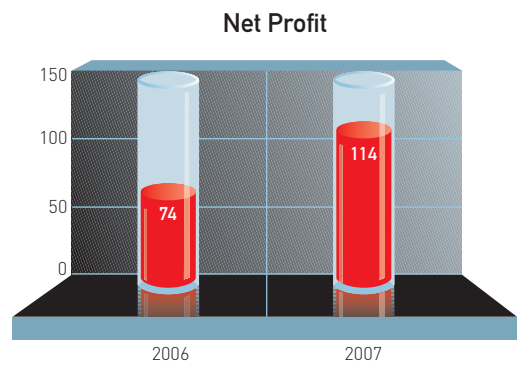
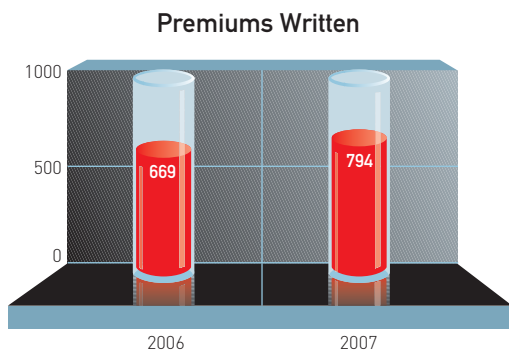
**Ordinary General Meeting Agenda • Time: 11.00 A.M.**

- 1 Opening of the meeting and establishment of the Council,
- 2 Authorization of the Council for signing the minutes of the meeting,
- 3 Announcement of the reports of the Board of Directors and auditors,
- 4 Disclosure to the shareholders regarding the donations made throughout the year
- 5 Ratification of the Balance Sheet and Profit & Loss Statement for 2007 and approval of the proposal for dividend distribution,
- 6 Discharge of the Board of Directors and Auditors,
- 7 Determination of the fees and remunerations of the members of the Board of Directors and auditors,
- 8 Ratification of the members of the Board of Directors and auditors, and determination of their term of office,
- 9 Empowerment of the Board of Directors in connection with matters falling within the scope of articles 334 and 335 of the Turkish Commercial Code.

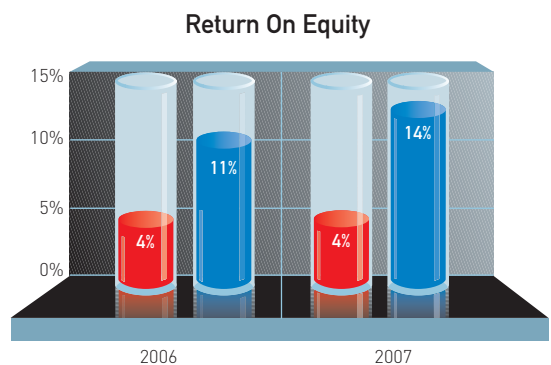
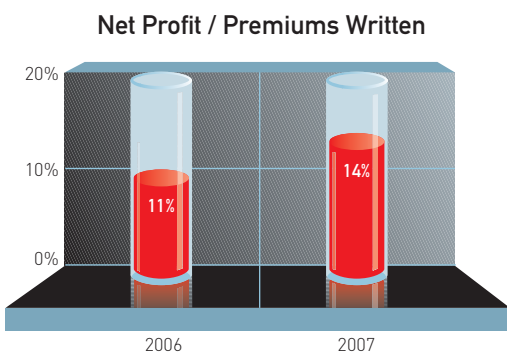
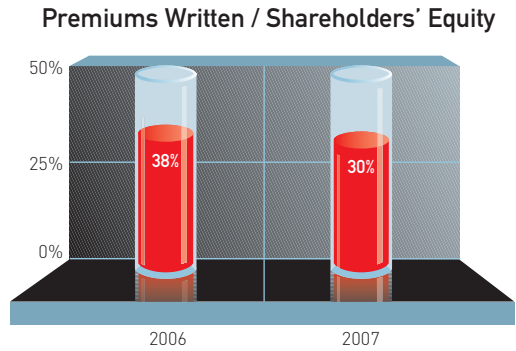
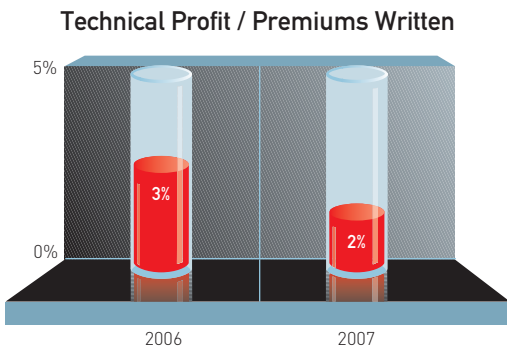
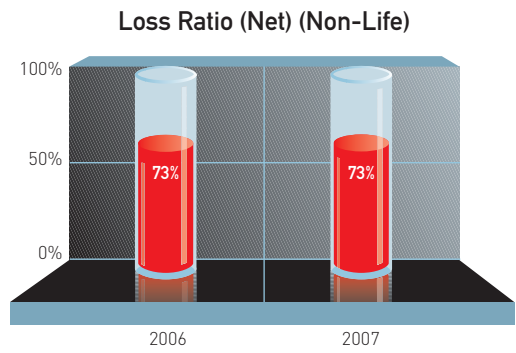
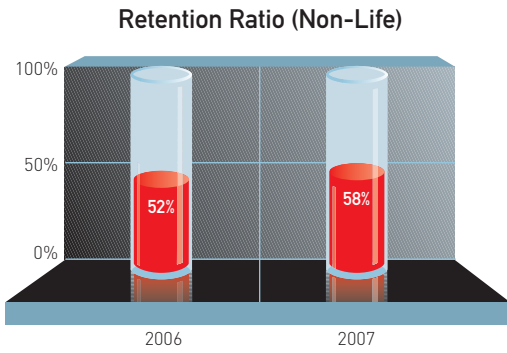
## FINANCIAL HIGHLIGHTS

With its shareholders' equity amounting to TRY 2.6 billion and robust financial structure as of the yearend of 2007, Aksam is the leading company of the Turkish Insurance Sector. Having maintained its sustainable profitable growth, generated TRY 794 million in premiums and TRY 114 million in net profits, Aksam is one of the forthcoming companies in the sector.

### Summary of Financial Indicators (million YTL)



**Financial Ratios**



- ROE
- Adjusted ROE (Insurance ROE)



## A TIMELINE OF AKSIGORTA

Founded on April 28, 1960 to serve the needs of the companies in the Sabancı Group, Aksigorta A.Ş., initially had its headquarters located in Adana and its business center located in İstanbul. Aksigorta has since expanded its network by 10 Regional Directorates, 3 Regional Representative Offices, 698 Akbank branches dispersed across the country and 1,402 independent agencies and continuously increased its market share in non-life lines of business and grown to be one of the leading insurance companies today. The following is the summary of the chronological milestones in the history of Aksigorta:

- 1961** Integrated its management and business centers in its building located on İstiklal Street, .
- 1970** İzmir Regional Directorate began its operations.
- 1981** Made a transition into the bank insurance business.
- 1983** Issued the first insurance policy through online connection.
- 1985** Established the Ankara Regional Directorate.
- 1986** Adana Regional Directorate began its operations.
- 1989** All Regional Directorates launched online operations.
- 1994** Completed the Initial Public Offering. Currently, approximately 38% of the Company's shares are being traded on the Stock Exchange [ISE].
- 1995** Moved out of the historical Minerva Han Building into the former Akbank headquarters located at Fındıklı after purchasing and transforming thereof into a contemporary office building.  
Started in the same year and became a tradition, the annual Painting Contest for elementary school students will celebrate its 15th anniversary this year.
- 1996** In October 1996, unveiled Turkey's first Fire and Earthquake Training Center, which has only a few precedents in the world and was built fully by Turkish technology.  
Trabzon Regional Directorate began its operations.  
Restructuring of regional directorates across the country was initiated.  
Implemented the Human Resources Project and made the transition into the performance management and career planning system.  
Made radical changes on the Information Technology infrastructure and renewed all projects.  
Launched the Company's website.
- 1998** Began issuing first online insurance policies in Turkey at Akbank branches through the Bankassurance Project. Additionally, set-up online connections with approximately 150 agencies in the same year.  
Established the quality assurance system modeled after the ISO 9001: 1994 standards and obtained the BS EN 9001:1994 Quality Standard Certificate.
- 1999** Provided the agencies with modern software enabling them to conduct insurance transactions more efficiently.
- 2002** Activated the revised and renewed Company website over the Company's systems and enriched the contents thereof with brand new, customer oriented applications.  
Obtained authorization certificate in the health line of business and began issuing insurance policies.  
Began providing the consumers and agencies with faster and better quality service 24 hours a day and 7 days a week varying from claim file notice to other insurance procedures through the Aksigorta Service Center, which began operations during the same year.
- 2003** Established the Bursa Regional Directorate.  
E-mail system was equipped for the agencies' use.
- 2004** Established four regional directorates in İstanbul; being 1st, 2nd, 3rd and Corporate Regional Directorates, and moved the operations and sales transactions to those directorates.  
Established the online connection linking all distribution channels to the main computer located at the Company headquarters.
- 2006** Antalya Representative Office began operating as the Mediterranean Directorate.  
Transformed the management style from central management into regional management based on revised business and decision making processes, centralized management style has been transformed into district management style. Created a wide-spread regional organization by strengthening the competency and capacity of the regional directorates as they are the Company's initial contact points with its customers and agencies.  
Moved the Fire and Earthquake Center (YADEM) into the Şişli Science Center to attract more visitors.
- 2007** Akemeklilik A.Ş., one of the Aksigorta subsidiaries, and Aviva Hayat ve Emeklilik A.Ş. merged and the company began operations under the name of AvivaSA Emeklilik ve Hayat A.Ş., effective from November 1, 2007.  
Launched a brand new project called Active07 in order to build an information technologies infrastructure that would be compatible with improving standards of time and that would support the Company's objectives. With the support of an end-to-end transparent, easy to monitor and report infrastructure that is created through this system, responsibility for sharing with the customers, agencies and other third party individuals and companies has been simplified.  
In September, moved the Aksigorta Service Center into to the Headquarters building.

## AKSIGORTA'S VISION

To become Turkey's pioneer and leading insurance company that operates in world-class standards.

## AKSIGORTA'S MISSION

To provide the best quality and widespread service for all of our corporate and individual customers through our agencies by increasing the insurance awareness in the society.

## AKSIGORTA'S VALUES

- Customer Focused
- High service quality
  - Transparency
  - Ethical Values
- Prevailing in the long run

## AKSIGORTA'S QUALITY POLICY

As a robust, respectable and reliable company in the sector, to provide quality service with the emphasis on customer satisfaction and in line with our vision, mission and values, in collaboration with our agencies, employees and suppliers.



## BOARD OF DIRECTORS



**M. Akin Kozanoğlu**  
[ Since August 09, 2001 ]  
Chairman

Mehmet Akin Kozanoğlu began his career in 1971. Mr. Kozanoğlu has been serving as the Chairman of Aksigorta Board of Directors since 2001. He concurrently serves as the Head of the Financial Services Group of Sabancı Holding. Mr. Kozanoğlu is fully authorized in all the matters pertaining to the Company. Mr. Kozanoğlu graduated from the Middle East Technical University with a B.S. degree in Mechanical Engineering. He also received a M.S. degree in Computer Science from the University of London.



**Rıdvan K. Yirmibeşoğlu**  
[ Since August 15, 2005 ]  
Deputy Chairman

Rıdvan Kadir Yirmibeşoğlu began his career at Sabancı Group in 1988. He worked at the Human Resources department. Mr. Yirmibeşoğlu has been serving as the Deputy Chairman and Board Member of Aksigorta Board of Directors since 2005. Mr. Yirmibeşoğlu graduated from İstanbul University with a B.A. degree in Political Science. He also received a M.S. degree in Organization and Business Policy from İstanbul University.



**Turgay Özbek**  
[ Since March 24, 2003 ]  
Board Member

Turgay Özbek began his career in 1984. Mr. Özbek has been serving as a Board Member of Aksigorta Board of Directors since 2003. Prior to joining Aksigorta, Mr. Özbek worked for several other companies, where he served in various financial executive positions. Mr. Özbek graduated from Cornell University with a B.S. degree in Engineering. He also received an M.B.A. degree from the Cornell University Business School.



**Haluk Erdoğan**  
[ Since March 24, 2006 ]  
Board Member

Haluk Erdoğan began his career at Akbank in 1975. He has been serving as a Board Member of Aksigorta Board of Directors since 2006. Prior to joining Aksigorta, he worked for Bimsa, Aknet and Akbank, where he served in various executive positions. Mr. Erdoğan graduated from the Middle East Technical University with a B.A. degree in Business Administration.



**İ. Ragıp Yergin**  
[ Since August 9, 2001 ]  
Board Member and  
General Manager

Ragıp Yergin began his career in 1977. Prior to joining Aksigorta, Mr. Yergin worked for several other companies, where he served in various executive positions and as a Board Member. Mr. Yergin has been serving as a Board Member of Aksigorta Board of Directors since 2001 and also serving as Aksigorta General Manager since 2005. Mr. Yergin graduated from the Middle East Technical University with a B.S. degree in Industrial Engineering. He received an M.B.A. degree in Industrial Engineering from Rensselaer University.



**Burak Tansan**  
[ Since October 19, 2006 ]  
Board Member

Burak Tansan began his career in 2000. Before joining Aksigorta, he worked for several other companies, where he served in various executive positions. Mr. Tansan has been serving as a Board Member of Aksigorta Board of Directors since 2006. Mr. Tansan graduated from Boston University with a B.A. degree in Business Administration. He also received an M.B.A. degree from Harvard University.



**Nedim Bozfkıoğlu** [ Since August 01, 1989 ] Member

Mustafa Nedim Bozfkıoğlu has been serving at Aksigorta as an Auditor since 1989. He began his career in 1975 at Sabancı Group. Mr. Bozfkıoğlu currently serves as the Head of Budget, Accounting and Consolidation Department at H.Ö. Sabancı Holding. Prior to assuming his current position, Mr. Bozfkıoğlu served as a Finance Manager and Assistant Financial Affairs Manager at Lassa and Kordsa. Mr. Bozfkıoğlu graduated from İstanbul University with a B.A. degree in Economics.

**Mevlüt Aydemir** [ Since April 16, 2004 ] Member

Mevlüt Aydemir has been serving at Aksigorta as an Auditor since 2004. He served as a Public accountant at the Ministry of Finance between 1972 and 1981. Mr. Aydemir has been working at H.Ö. Sabancı Holding since 1981 and currently serves as the Head of Financial Affairs and Finance Department. Mr. Aydemir graduated from İstanbul University with a B.A. degree in Economics.

## BOARD OF DIRECTORS' REPORT

### Dear Shareholders,

The recent turmoil in the financial markets, which broke out in the US in 2007 and spread into other developed countries and eventually gripped the entire world, has unquestionably been the hottest topic of the year. The Federal Reserve Bank of the US began easing interest rates aggressively. Meanwhile, comprehensive fiscal policy proposals to avert possible economic recession occupied the political agenda on a larger scale. In Europe, economic indicators pointing to increasing inflation and slumping growth will be watched over for a while.

In 2008, caused by the financial markets distress in developed countries, mainly in the US, slowing global demand and liquidity crunch, the unfavorable sentiment looming over the global economy is expected to continue.

If we turn to the economic outlook in our country as of the end of 2007, the economic data shows; slowing growth, relative surge in inflation, increase in overall unemployment, weakening fiscal discipline in public financing and ballooning current account deficit.

We believe that in 2008, expectations for stabilized inflow of international funds and exchange rates will have a clear impact on the economic growth Turkish insurance sector maintains a growth trend at a rate that is minimum twofold of the real GDP growth, while achieving sustainable economic growth. Turkey significantly falls behind the developed countries with respect to generating premiums. Sustainable economic growth, sizable young population of 72 million people, low penetration level, increase in per capita income, rising insurance awareness, new insurance categories, the EU accession phase, rising foreign investors' interest are among the strongest indicators that give an idea about the sector's growth potential. Sector's rapid growth will facilitate international funds and investors' interest in the Turkish insurance sector to continue in 2008 as well.

At the end of 2007, premiums generated by elementary lines of business increased by 15% to reach TRY 9.2 billion. Rapid growth combined with improved operational profitability holds a promising future for the sector. This notable improvement in profitability of the insurance business proves that the sector has begun reaping the benefits of the cost reduction efforts in the car insurance line of business.

In 2008, we expect that the recent growth trend to continue, that individual insurance to outpace other lines of business and that car insurance business to maintain its leading role. We think that Liability (Product, Professional), Mortgage, Agriculture and Health Insurance lines of business represent the highest growth potential.

We expect that the impact of the New Insurance Law, which took effect in June 2007, will be felt in the sector in 2008 and that recent implementations will prompt insurance companies to strengthen their financial structures and enhance their transparency and disclosure practices.

Aksigorta continued to outperform the sector in terms of its sustainable profitability ratio in 2007 as well. As Turkey's pioneering and leading insurance company that operates at world class standards, in parallel to such developments in the sector, we aim at increasing the insurance awareness and provide all corporate and individual customers with the best quality and wide-spread service through our agencies. With our efficient regional organization, wide-spread agency and bank network, robust capital structure, brand strength, product management, expertise in claims management and control, we keep moving forward.

The largest company in the Turkish Insurance Sector with its shareholders' equity amounting to TRY 2.6 billion as of the end of 2007, Aksigorta has maintained its position as one of the major players in the sector by generating TRY 794 million in premiums and TRY 114 million in net profits.

Having 38% of its outstanding shares traded in the İstanbul Stock Exchange, Aksigorta is included in the ISE National - 30 Index. Approximately 84% of the shares held by Takas Bank are owned by international investors.

We provide solutions and develop products fitting the needs of our corporate and individual customers through our widespread distribution network consisting of 10 regional directorates, 3 regional representative offices and 1.402 independent agencies affiliated therewith and 698 Akbank branches. We also support our distribution network that provides our customers with widely available services, in reducing their operational burden and increasing their marketing strength through our robust regional organization. Additionally, we provide uninterrupted service for 24 hours a day and 7 days a week in every line of insurance business through our "Aksigorta Service Center" and the Company website.

In 2007, one of our major subsidiaries, AK Emeklilik A.Ş. has successfully merged with Aviva Hayat ve Emeklilik. The new company resumed its operations under the name of Avivasa Emeklilik ve Hayat. Aksigorta owns 49.8% of the shares of AvivaSA.

Investing into our brand and providing right services to the consumer pay off as Aksigorta takes the center stage as the leading brand in the sector when it comes to trust and innovation. Separation of corporate and individual insurance, underwriting management and risk engineering, conducting car insurance claims process and management in the electronic environment, claim and provision management in health line of business, improvements in agency composition, campaigns directed to agencies, technological change, Agency School opened in collaboration with İstanbul University, social responsibility projects are those efforts proving Aksigorta's leading position in the sector.

We continue to make important investments in technology. We have accomplished to move the entire claim process onto the electronic environment in order to provide the perfect service to the insured. In 2007, with the support of an end-to-end transparent, easy to monitor and report infrastructure provided by Active07 that is created under the scope of the Information Technologies, responsibility for sharing with the customers, agencies and other third party individuals and companies has been simplified. Having renewed its technological infrastructure and processes, Aksigorta positioned itself in the right direction with Active07 to leap forward, adapt to competitive conditions faster and to even dictate the terms of competition.

Aksigorta continues to deliver its part as a socially responsible company. Under the scope of the "Investing in the Future Project", launched in 1995, the YADEM (Fire and Earthquake Training Center) established in 1996 at Aksigorta Headquarters Building to provide training for protecting against disasters like fire and earthquake and for raising insurance awareness, aimed at children in 7-14 age group, moved to Şişli Municipality Science Center Foundation to attract more visitors and make it more beneficial, on November 1, 2006, by transferring its right of use. Additionally, "Fire and Earthquake" themed annual painting contest intended for elementary school students is held in April every year in a selected city. This contest combines to encourage young talents for art and increase awareness for fire, earthquake and insurance. The 15th annual painting

contest, which became a tradition, will be held this year.

Aksigorta has been voted as "the most trusted insurance company" for past three years. Aksigorta received the "Consumer Quality Award" as it did in the previous years, at the annual "Consumer Summit", held traditionally by the Consumer Magazine on "March 15, World Consumer Day". Furthermore, Aksigorta was rewarded as the "Most Remembered Non-life Insurance Company" in the "Brands Survey" conducted by A.C. Nielsen in 2007.

According to the 2007 4th quarter results of the "Turkey Customer Satisfaction Index (TMME)", conducted annually by the Quality Association, which is based on fully random sampling method, where participants were selected out of 81 cities across Turkey through placing 180.000 phone calls, Aksigorta was elected to be the insurance company with highest customer satisfaction in health and automobile insurance by receiving 80 points.

We will continue our efficient operations also in 2008 to achieve our objectives of increasing the market share, sustaining profitability, agency and customer satisfaction.

We like to take this opportunity to thank all of our shareholders, agencies and customers, who have contributed to all of our achievements, for having faith in us and providing support. We would like to reiterate that we are fully aware of the responsibility falls upon us for this support to increasingly continue. We thank all of our colleagues and retired personnel and commemorate our partners and employees who have passed away.



**M. Akın Kozanoğlu**  
Chairman



**İ. Ragıp Yergin**  
General Manager

## SENIOR MANAGEMENT



**İ. Ragıp Yergin**  
[ Since August 9, 2001 ]  
General Manager

Ragıp Yergin began his career in 1977. Prior to joining Aksigorta, Mr. Yergin worked for several other companies, where he served in various executive positions and as a Board Member. Mr. Yergin has been serving as a Board Member of Aksigorta Board of Directors since 2001 and also serving as Aksigorta General Manager since 2005. Mr. Yergin graduated from the Middle East Technical University with a B.S. degree in Industrial Engineering. He received an M.B.A. degree in Industrial Engineering from Rennselaer University.



**Çetin Kolukisa**  
[ Since April 18, 2005 ]  
Assistant General Manager

Çetin Kolukisa began his career in the insurance sector in 1989. He served as a Technical Manager at Aksigorta between 1994 and 1999. Mr. Kolukisa rejoined Aksigorta in 2005 as the Assistant General Manager for Agencies. He graduated from İstanbul University with a B.S. degree in Economics. Mr. Kolukisa also holds a M.S. degree in Econometrics.



**Fahri Altingöz**  
[ Since December 01, 2005 ]  
Assistant General Manager

Fahri Altingöz began his career in 1988 at Aksigorta. Prior to assuming the position of Assistant General Manager for Claims in 2005, Mr. Altingöz worked for several other insurance companies, where he served in various administrative positions. Mr. Altingöz has been serving as the Assistant General Manager for Corporate Insurance since 2007. He graduated from the Middle East Technical University with a B.S. degree in Statistics.



**Ender Bıyıklıoğlu**  
[ Since August 07, 2006 ]  
Assistant General Manager

Ender Bıyıklıoğlu began his career in 1995. Prior to joining Aksigorta, Mr. Bıyıklıoğlu worked for several other companies, where he served in various managerial positions in the field of information technologies. Mr. Bıyıklıoğlu joined Aksigorta in 2006 as the Assistant General Manager for Technology. He graduated from Yıldız Technical University with a B.S. in Industrial Engineering.



**Ali Dođdu**  
[ Since February 12, 2007 ]  
Assistant General Manager

Ali Dođdu began his insurance career in 1993. Mr. Dođdu joined Aksigorta in 2007 as the Assistant General Manager for Individual Insurance. Prior to assuming his current position, he worked for several other insurance companies, where he served in various administrative positions. Mr. Dođdu graduated from Ankara University with a B.A. degree in Business Administration.



**Zafer Őenler**  
[ Since August 27, 2007 ]  
Assistant General Manager

Zafer Őenler began his career at Aksigorta in 1990. He served at various departments of Aksigorta until 2003. Mr. Őenler rejoined Aksigorta in 2005 and served as İstanbul 3rd Regional Directorate Manager prior to assuming his current position in 2007 as the Assistant Manager for Claims. Mr. Őenler graduated from Hacettepe University with a B.A. degree in Public Administration. He also received an M.B.A. degree from İstanbul University.



**Őebnem Sezer**  
[ Since January 09, 2008 ]  
Deputy Assistant General Manager

She began her career in 1992 as an auditor. Ms. Sezer joined Aksigorta in 2005 and served as an Audit Manager. She was appointed as the Deputy Assistant General Manager for Financial Coordination. Ms. Sezer graduated from the Middle East Technical University with a B.A. degree in Business Administration.



**Zafer Őenler**  
[ Since August 27, 2007 ]  
Assistant General Manager

Zafer Őenler began his career at Aksigorta in 1990. He served at various departments of Aksigorta until 2003. Mr. Őenler rejoined Aksigorta in 2005 and served as İstanbul 3rd Regional Directorate Manager prior to assuming his current position in 2007 as the Assistant Manager for Claims. Mr. Őenler graduated from Hacettepe University with a B.A. degree in Public Administration. He also received an M.B.A. degree from İstanbul University.



**Őebnem Sezer**  
[ Since January 09, 2008 ]  
Deputy Assistant General Manager

She began her career in 1992 as an auditor. Ms. Sezer joined Aksigorta in 2005 and served as an Audit Manager. She was appointed as the Deputy Assistant General Manager for Financial Coordination. Ms. Sezer graduated from the Middle East Technical University with a B.A. degree in Business Administration.

## INTERNAL AUDIT

**Barış Öngör**  
Deputy Audit Manager

Barış Öngör began his career in 1996 as an R&D staff. Mr. Öngör joined Aksigorta in 2003 and served as an Audit Specialist. He was appointed as the Deputy Audit Manager in 2008. Mr. Öngör graduated from İstanbul University with a B.A. in Business Administration.

## MANAGEMENT TEAM

### HEADQUARTERS

#### Aksigorta A.Ş. Department Managers

Serkan Avcı

Application Development Manager

A. F. İpek Aydın

Service Center Manager

Aygül Beyter

Bank Agencies Manager

T. Murat Boğatur

Fire Manager

H. İnci Can

Human Resources Manager

Ali Çezik

Finance and Administrative Affairs Manager

E. Çağatay Çınar

Health Claims Manager

Mehmet Ermurat

Financial Reporting and Investor Relations Manager

Canan İbişler

Health Manager

Haldun İnan

Claims Manager

Hakan Kadıoğlu

Independent Agencies Manager

Özlem Kesgin

Claims Management Manager

Ali Kuru

Corporate Relations Manager

Ufuk Mısırlıoğlu

Agencies Operations & Structuring Manager

Çiğdem Müfettişoğlu

Project Consultant

Vedat Özkan

Reinsurance Manager

Murat Özkömürcü

Casualty & Actuary Manager

A. Ayhan Sağlam

Engineering & Risk Management Manager

Yücel K. Saltık

Marine & Agriculture Underwriting Manager

Ö. Faruk Girer

Auto Logistics Manager

Raif Turhan

Resource Manager

Sevtao Tüzün

System Development Manager

E. Nevra Yener

Consultant to General Manager

Elif Yücekök

System Organization Manager

## Aksigorta A.Ş. Assistant Managers

Osman Akkoca

Financial Reporting Assistant Manager

Tanju Akyol

Commercial Products Assistant Manager

Tülay Atmaca

Fire Assistant Manager

Halit Başkaya

Health Claims Assistant Manager

Yasemin Batıl

Claims Payment Assistant Manager

Serdar Cebesoy

Actuary Assistant Manager

Nuriye Çağlayan

Collections Assistant Manager

Hatice Çil

Budgeting & Financial Reporting Assistant Manager

Çiğdem Çöbenek

Casualty Assistant Manager

Esra Demir

System Organization Assistant Manager

Metin Demiray

Human Resources Assistant Manager

Rifat Doğan

Agriculture Assistant Manager

M. Vedat Durmaz

Claims Assistant Manager

Tolga Gündoğdu

Claims Management Assistant Manager

Hüseyin Hızal

Claims Management Assistant Manager

Hakan Kanal

Claims Assistant Manager

Özcan Köse

Claims Assistant Manager

Murat Küçük

Individual Products Assistant Manager

Yüksel Öter

Life & Administrative Affairs Assistant Manager

İbrahim Özmen

Claims Assistant Manager

İ. Muzaffer Öztürk

Accounting Assistant Manager

Metin Özvarna

Fund Management Assistant Manager

Aslı Sevim

Auto Logistics Assistant Manager

Burçin Şahin

Reinsurance Assistant Manager

Salih Taşyon

Claims Assistant Manager

H. Hülya Ünverdi

System Development Assistant Manager



## REGIONAL MANAGEMENT

### Adana Regional Directorate

Hüseyin Kanat

Manager

Cumhur Apak

Assistant Manager

Ahmet Aysan

Assistant Manager

### Ankara Regional Directorate

M. Orhan Apakkan

Manager

Okkan Nurikadiođlu

Assistant Manager

Levent Alphan

Assistant Manager

### Mediterranean Regional Directorate

Süleyman Uçan

Manager

Volkan Kakaç

Assistant Manager

### Bursa Regional Directorate

Ş. Murat Özek

Manager

M. Hayati Zarifođlu

Assistant Manager

Ata Ö. Aktuna

Assistant Manager

### Aegean Regional Directorate

Birol Balaylar

Manager

Birsen Çavuşođlu

Assistant Manager

M. Levent Yenertürk

Assistant Manager

Barbaros Ünal

Assistant Manager

H. Hüseyin Tuncel

Denizli Representative Office Manager

### İstanbul 1<sup>st</sup> Regional Directorate

Erkan Aydođan

Manager

Nuray Esat

Assistant Manager

Hasan Bayata

Assistant Manager

Cem Kuyumcu

Assistant Manager

### İstanbul 2<sup>nd</sup> Regional Directorate

Süleyman Kara

Manager

İ. Sarp Sayarer

Assistant Manager

M. Bülent Eraltan

Assistant Manager

### İstanbul 3<sup>rd</sup> Regional Directorate

Hülya Akan

Manager

Koray Mollaođlu

Assistant Manager

A. Murat Berirmen

Assistant Manager

### İstanbul Corporate Regional Directorate

A. Nalân Otađ

Manager

İ. Selçuk Pazar

Assistant Manager

Cemal Uludađ

Assistant Manager

Nurettin B. Araç

Assistant Manager

Hasan Sönmez

Assistant Manager

## GENERAL OUTLOOK ON 2007

In 2007, the global financial markets experienced considerably higher volatility compared to past four years. Although, there was no major deterioration in the macroeconomic data compared to the previous years, exposure to bad subprime mortgage loans and financing problems related to such investment instruments, which initially broke out in the US, have caused a great deal of distress in the global financial markets.

In 2007, although, global economic growth was seen to be stabilized at a rate around 4% as it did in the previous years, a significant increase in inflation was observed. Both developed and developing economies experienced remarkable price increases in many different price groups. Especially in the emerging markets, average annual inflation exceeded 5.5% level for the first time in the past ten years. Despite the fact that developing countries' currencies appreciated against the USD, many external factors caused the surge in general price levels. While heightened inflationist pressure forced almost all central banks to increase interest rates, the developments in Asia in the beginning of the year triggered the initial sales pressure in the financial markets. Comments about the signs of recession in the US and gloomy forecasts on the global economy connected therewith, create considerable distress on the global economy as we are entering 2008.

The bottom line is, in 2008, anticipations of continued distress in the financial markets in the developed countries, mainly in the US, slowing global demand and liquidity crunch intensify the prospect of unfavorable impacts on the overall global economy.

Turkey's overall performance in 2007 was not too bad. However, it can be said the economy performed slightly worse compared to the past four years. Our growth rate subsided, the annual CPI declined compared to last year but significantly missed the target, despite the somewhat decline in the interest rates, they remain to be among the highest across the globe, overall unemployment rate continued to increase and issues such as fiscal discipline in public financing and ballooning current account deficit continued to deteriorate. Dampening economic growth coupled with the upcoming municipal elections, may elevate the risk of fiscal discipline in public financing to deteriorate even further. Slump in global demand estimated to develop as a result of the turmoil in the global financial markets is expected to boost the trade deficit. Added to the weakness in the inflow of international funds, economic growth and current account deficit financing is expected to get harder.

It seems likely that financial distress in the developed countries as well as the results relating to the political stability

in Turkey will make their mark on the economy in 2008. If Turkey moves forward with a strong IMF program, it may be able to secure a material insurance against most of unfavorable developments unfolding outside Turkey.

We believe that in 2008, expectations for stabilized inflow of international funds and exchange rates will have a clear impact on economic growth.

The world insurance sector data for 2006 [Source: Swiss Re's publication medium Sigma 4/2007] shows that overall growth in the sector is mainly supported by high growth rate experienced in the developing countries' insurance sector. While aggregate generated premiums grew by 5% in real terms; the non-life line of business grew by 1.5% and life line of business grew by 7.7%. If we look into the main driver of this growth; while aggregate generated premium growth rate is 4% in the developed countries, it is 16.3% in the developing countries. The non-life line of business growth rate is 0.06% in the developed countries as opposed to 10.8% in the developing countries. In life insurance, those rates are 4.6% and 8.4%, respectively. As for the aggregate premium production, per capita premium of USD 555 consists of life and non-life line of business productions of USD 331 and USD 224, respectively. While per capita premium in the developed countries (life + non-life) is USD 3,362, it is USD 60 in the developing countries. If we look at the premium production to gross domestic product ratio, it is 7.5% for the overall sector, 4.5% for life and 3% for non-life. Those ratios for aggregate premium production in the developed and developing countries are 9.1% and 2.7%, respectively. All of those data suffice to explain the investors' interest in the developed countries. This interest will increasingly continue in the upcoming periods.

When we look into the Turkish Insurance Sector's world ranking in the same source, it shows that the Turkish Insurance Sector maintained its ranking of 35th by increasing its share in aggregate world premium production to 0.18%. The Turkish Insurance Sector's share in the gross domestic product is 1.6%. Per capita premium production has increased to USD 89 from USD 78. Majority of the country's premium production is generated in the non-life line of businesses and its share in the gross domestic product is 1.4% and its ranks 27th in the world. Such data shows that Turkey, as the other developing countries, with its high growth potential, tops the list of those countries eyed by the global companies.

In the Turkish insurance sector, there are 26 insurance companies actively operating in elementary line of businesses, 11 insurance companies operating as individual retirement company and 9 insurance companies operating only as life insurance companies. Aggregate shareholders' equity of the

companies that operate in the insurance sector is TRY 6, 3 billion based on their balance sheets as of September 30, 2007.

Turkish insurance sector maintains a growth trend at a rate minimum twofold of the real GDP growth. The sector's growth potential continuously rising. The gap between the developed countries expected to be narrowed in a relatively short time as insurance awareness in Turkey is increasing along with the increase in per capita income and rapid developments in new insurance products.

As of the end of 2007, the insurance sector grew by 15% and increased its aggregate premium production to TRY 9.2 million. Growth rates with respect to various line of businesses are as follows; agriculture (ranks first) 75%, health 22%, engineering 21%, accident 16%, fire 8%, transportation 7% and life 5%.

Technical profit generated from the insurance business has remarkably improved. Especially the increase in profitability in the elementary line of businesses is very impressive. Non-life technical profit increased approximately by 315% to reach TRY 216 million. If we compared the results for the first nine months of 2007 with that of the same period of the previous year, impact of the improvement in especially car insurance, which makes up 50% of the premiums generated in non-life line of businesses seem enormous. Last year's losses in car insurance (all risks and traffic insurance) TRY 244 million has been reduced to TRY 142 million on account of the cost reduction efforts.

Funds collected in the individual pension plan system, which contributes to both the national economy and capital markets in developed countries, reached to TRY 4.6 billion since it was introduced in 2003 until the end of 2007. According to the data as of the end of 2007, 1,453,891 people with 1,571,116 contracts joined this system, which has high growth prospects in regards to both its infrastructure and high growth potential.

Beginning from the last portion of the 2006, international investors' interest in the Turkish insurance sector has been materially progressed. Beginning from the first quarter of 2007, increase in the inflow of international capital into the sector has been observed. Mergers such as Garanti Sigorta and Garanti Emeklilik ve Hayat - Eureka BV, Genel Sigorta - Mapfre SA, Ray Sigorta - TBIH Financial Services and AK Emeklilik and Aviva Hayat ve Emeklilik have been major international investments in the sector in 2007. Expected rapid growth in the sector fuels international investors' interest in the Turkish insurance sector. In early 2008, Zurich Financial Services acquisition of TEB Sigorta may be perceived as manifestation thereof.

Long awaited New Insurance Law took effect in June 2007. The sector will feel the impact of the new insurance law more closely in 2008. With the new law, we expect that insurance companies to strengthen their financial structures and enhance their transparency and disclosure practices and that disputes to be resolved faster by newly introduced Arbitration System. The new regulation intends to establish flexibility and security in expansion of the financial sector.

In 2008, we expect that the recent growth trend to continue, that individual insurance to outpace other line of businesses and that car insurance business to maintain its leading role. We think that Liability (Product, Professional), Mortgage, Agriculture and Health Insurance line of businesses represent the highest growth potential.

Included in the Parliament's agenda, the new Turkish Commercial Code Parliament is expected to boost liability insurance. In 2007, partial price liberation in Mandatory Traffic Insurance was introduced; full liberation thereof to take effect this year will boost intensive competition in that line of business.

In the upcoming term, with the impact of the new legislation and international investors' different perspective on competition, insurance sector will sustain its growth trend outpacing the overall economic growth.

## AKSIGORTA IN 2007

### **Aksigorta is One of the Leader Companies of the Sector with its Strong Capital Structure, High Premium Generation and Profitability**

Aksigorta, being one of the strongest companies of the sector both in terms of financial structure and premium generation, is also heading the list of profitable companies in the sector both in terms of insurance business and with the high income it obtains from the investment portfolio. While this robust financial structure and high profitability increase the trust of shareholders and investors in the company, it also gives the honor of being a member of a company of such scale to the employees, agencies and other business partners. The existence of such a strong company which works with precise customer satisfaction contributes to increasing consumers trust toward the sector.

Aksigorta maintains its profitable growth as a trustworthy, innovative and national trademark with the distinction it has created in the opinion of its customers and agencies. In line with its target of becoming the best preferred insurance trademark, Aksigorta has successfully put into practice many works in 2007 as well.

### **Aksigorta is All Over the Country through its Extensive Regional Structure and Wide Agency Network**

Aksigorta provides and markets the highest quality and most widespread service to its corporate and individual customers through 10 regional directorates, 1,402 independent agencies reporting to 3 representative offices and 698 Akbank branches and 33 brokers. This service and sales network spread countrywide is being supported uninterruptedly for 24 hours 7 days through the "Aksigorta Service Center" and the website. The "Aksigorta Service Center" and "Aksigorta Website" continue creating distinction and privilege in the sector through the services they provide to their customers and agencies both in the insurance field and non-insurance related subjects.

### **Main Distribution Channel of Aksigorta is its Independent Agencies**

Although Aksigorta utilizes all the distribution channels of the sector, it obtains major part of its premium generation through its agencies. Therefore, most of the efforts put on distribution channels are focused in this channel. The works to change the agency composition have started in 2005 and completed in 2006. The "core agency" concept which has created a difference in the sector emerged with this approach. Aksigorta is all over the country with its "core agencies", which are experts in their business, acquainted with their customers, precise in business selection and possess the company culture and values. In line with the changing agency composition, number of medium size agencies was increased and as of 2007, the total number of agencies of Aksigorta has

increased nationwide to 1.402. Independent agencies are divided into four segments depending on their targeted customer groups: Core Agency, Opinion Leaders, Automotive Dealer Agencies and Captive Agency (Corporate Agency). Activities, generations, profitability and efficiency of each segment are being followed up and evaluated separately.

### **Aksigorta Continues to Listen to its Agencies at the "Free Tribunes"**

Aksigorta continued its traditional "Regional Agencies' Meetings" in 2007 as well. These meetings, in which the developments encountered in the insurance sector and the strong position of Aksigorta in the changing competition environment are shared with the agencies, continue with the "Free Tribune" section. In the "Free Tribunes", the agencies that get together with the local and central management units express their up-to date problems. This way, Aksigorta receives feedback regarding the existing policies and takes into account the opinions of the agencies in establishing the company strategies. Following the "Free Tribune" section held at the meetings, the "Effective Communication and Body Language" training was provided to the agencies. The training programs oriented toward contributing to the personal developments of the agencies shall continue in the coming terms as well.

The second of the "Automotive Agencies Meeting" was held this year in Bodrum in August. In this meeting, legal counsels provided information on legal subjects regarding the automotive sector specific insurance activities and the subjects brought by the new Insurance Law was communicated. In addition, cooperation between the insurance sector and the automotive sector were analyzed and the importance of establishing a joint solution platform was emphasized.

In the "Independent Agencies Meeting" held in September in Kemer, 2007, being the year of the restructuring and investing in people and technologies was evaluated and the targets of 2008 within the context of the transformation project were shared. After the meeting, in the workshops conducted under the management of the technical units, opinions were exchanged with the agencies regarding the improvement of the existing products.

Within the context of Aksigorta's privileged agency approach, for the first time, the Opinion Leader has organized a trip abroad for the Agencies in October 2007. In the meeting held with the agencies, the Opinion Leader has conveyed company's approach toward corporate businesses and the agencies have shared their expectations from the Company.

The logo of Aksigorta, which was changed in 2006, has been replaced countrywide. The logo replacement at all the agency signs was completed within 2007. In addition, the most frequently used highway routes of Turkey were explored and Aksigorta road signs were placed at central points.

## Aksigorta, Adds New Items to its Package Policies which are Suitable for Customer Needs, Extensive and Have High Coverage Limits

Aksigorta, having national experience, regional knowledge and localized solutions and being a widespread Company keeping its flag flying everywhere, continues its activities with the variety of products that would respond to the needs of all individual, commercial and corporate consumers.

Through the individual product development unit established in 2006, Aksigorta has organized its technical organization structure based on the product groups under the responsibility of product managers, rather than lines of business. With this organization and in the changing competition conditions, Aksigorta can follow-up in detail and analyze the conformity to the market conditions of the technical results, product profitability, marketing approach of the products sold. The Company has continued its product oriented approach in 2007 as well and added new items in 2007 to its significantly comprehensive package policies with high coverage limits which are highly competitive and suitable for customer needs. The Company continues to meet all the requirements of customers through the new package products such as AKARYAKIT (Filling Station), MUAYENEHANE (Consulting Room), AKPLAZA (Cars Showroom) and made improvements in the existing package products such as AKKASKO (Motor Own Damage), AKKONUT (Household), AKİŞYERİ (Commercial Risks), ECZANE (Pharmacy) and AKOTEL (Hotel) by adding new and comprehensive coverage. The intention behind this application was to have the consumers covered under a single policy against all risks in each product scale and to pay to the insured all claims fully, from the tiniest to the highest, under a single policy.

At the beginning of 2007, in line with the importance of product based management in the increasingly competitive environment, Aksigorta has started to separately manage the underwriting operations as corporate and individual. Aksigorta follows up the industrial and big scale commercial insurances and reinsurance thereof within the context of corporate insurances and follows up the auto insurances, accident insurances, small and medium scale commercial insurances and home insurances within the context of individual insurances.

In 2007, risk acceptance policies in corporate insurances were redefined and improved on categorical basis. In the field of fire insurances, the competition in the market was closely followed up and the action plans were put into practice within the frame of product policies of Aksigorta. The existing insured and potential customers were visited during the year within the context of a program organized in coordination with the regional directorates.

In parallel to the developments and high potential in boat building sector in Turkey, importance was given to boat building insurances and it was endeavored to reach the insured through

all the sales channels. In transport, commodity and boat insurances, the regional directorates and agencies with transport insurance potential were visited throughout the year, the "Transporter Vehicle Liability Insurance" product which was composed in line with the sectoral demand and potential was made available for the use of the agencies and the insured. In transport insurances, the policy and practices of increasing the premium generation by maintaining the profitability continues.

In the agriculture line of business, in 2007, Grant-aided Agriculture Insurances were expansively composed in the generality of the country. Aksigorta secures the following; herbal products registered in the Farmer Registry System under Grant-aided Herbal Product Insurance, milk cattle under Grant-aided Livestock Insurance, greenhouses under Grant-aided Greenhouse Insurance, poultry farms that have obtained bio-security and hygiene measures under Grant-aided Poultry Livestock Insurance, fishery products farmed in the sea and inland waters under Grant-aided Fishery Products Insurance. Herbal products not registered in the Farmer Registry System are insured under Agricultural Products Hail Insurance, farm livestock are insured under Livestock Insurance and the greenhouses are insured under Greenhouse Insurance. Throughout 2007, widely attended trainings on agriculture insurances were organized for Akbank T.A.Ş. branches that grant agricultural loans and agencies.

Aksigorta, rapidly taking its place in the new product segments as well, in the direction of the new arrangements particularly brought to the legislation within the framework of EU adaptation works, has decided to manage the liability line of business separately and established the Liability Insurances Department in 2006. Aksigorta, made a principle of providing solutions also for the risks subject to liability line of business of its corporate customers to which it provides services in all fields of risk and the Company proceeds with confident steps to establish a profitable portfolio in the Liability line of business as well.

In addition, for the purpose of producing the most effective methods of transfer of all the risks of the corporate customers which are subject to insurance, operation permit has been obtained from the Treasury Under-secretariat of Turkish Republic on August 28, 2006 to operate in the Loan Insurances line of business for supplementing the financial services provided by the banks. Aksigorta, providing solutions for domestic and export loan risks of its customers, continues to establish a profitable portfolio by expanding its activities in the loan line of business.

Aksigorta has become one of the key players of the sector in the health line of business in a short time since it has started operating this line of business in 2003. This current status in the health line of business was achieved through

the developed projects and revised work processes as well as the investments made in technological infrastructure and human resources. The Company, revising its products in line with the changing competition conditions and developing customer expectations, has the best infrastructure in the sector in the health field. In order to increase the weight of individual businesses in this portfolio, Aksigorta has revised the individual AkSağlık product in September and brought it to a more competitive position. As of April 2007, customer representatives for health at the regional directorates have started to conduct the operational processes of the individual policies from the regions. While innovations were brought in corporate businesses, the profitability status of 2007 was taken into consideration. In corporate businesses, premium is calculated in a manner that technical profitability is achieved.

In provision transactions, which is one of the most important services in the health insurances, Aksigorta, utilizing 4 channels concurrently, being POS, IVR, Internet and Health Call Center, has been the first insurance company to put the Electronic Medicine Provision System into service of the insured at the pharmacies. Within the frame of contracted institution network optimization works based on the increased number of insured and geographical dispersion of the insured, Aksigorta provides services to the insured through a total of 1,830 contracted health institutions consisting of 253 hospitals, 308 policlinics, 185 diagnosis centers, 872 pharmacies, 49 physiotherapy and rehabilitation centers, 3 home care centers, 160 physicians specialized in their branches, providing services in 59 cities throughout Turkey. In 2008, works shall continue to further expand this network. The customs of use are being analyzed in detail at certain intervals during the policy term by using modern information technologies infrastructure and this way, it is ensured to produce custom solutions to the insured as well as establishing an effective cost control and added value.

Aksigorta, being a company putting great importance on risk analysis, tries through the Risk Management Directorate, to inform the companies both on the coverage they need and as well as on the measures that need to be taken within the context of the insurance by carrying out a risk analysis and thus enabling the companies to have a more secured firm. Within the context of Risk Management, effective risk control is ensured by performing financial analysis works for the insured companies. Operations are supported by preparation of reports concerning control and mitigation of physical risks of the operations that are under coverage subject to such work or shall be newly added to the portfolio. As a result of these works, while Aksigorta has introduced many companies to insurance, it has also shown many risks to the companies of which they were not aware. In order to minimize the effects of the risks that influence the sector, Aksigorta carries out

numerous works based on scientific methods. With the risk analysis conducted in 2007, works have been carried out to minimize the risks at the proposal and coverage stages. In line with the scientific approach, geological formation of the region, soil liquidification, possible damages to the infrastructure and the building, the overall possible damage size is being evaluated and analyzed in accordance with the risk map composed in accordance with the existing portfolio dispersion. In this manner, reinsurance protection is obtained at the optimum level and both the income and the profit are maximized. The purpose of this is to carry the technical results to optimum levels.

Risk management works also include the expertise, PML accountings which can be considered as maximum damage calculation, customer analysis and aggregate follow up as well as efficiency analysis. These works provide substantial advantages to Aksigorta and its insured. Throughout the year, the existing insured were visited within the context of risk management program organized in coordination with the regional directorates.

### **Aksigorta. Continues to Invest in its Employees under Slogan "We are the Leader"**

In 2007, transformation and development programs have been initiated in order to attain long term targets of Aksigorta. These works that are conducted by taking "leadership", "speed", "service" and "innovation" elements into center have continued by implementing corporate culture and organizing training programs. In order to support development of products based on customer segments, the organizational structure of the Company has been changed and Assistant Manager for Corporate and Individual Insurances positions have been established. The working style of the Regional Directorates has been improved to conform to this change. In addition, in order to become better and faster in service processes and to train competent staff for Company positions, the Service Center, which has a significant share in providing services to Aksigorta customers, has been incorporated in the Company structure. Therefore, a significant increase is observed in the number of employees of Aksigorta.

In achieving Company success, it is important to share within the corporation the policies and targets applied and to orient everyone to the same target. For this purpose, in addition to the local meetings held in the regional directorates, "Information Sharing Meeting" was organized in May 2007. In these meetings, the suggestions and opinions of the employees regarding practices were also obtained.

All the employees were evaluated with a performance evaluation system based on competencies and regional performances were reviewed through quarterly meetings. Announcing the internal social activities and publishing the Company news at Aksigorta portal, which was established to increase the communication, brought liveliness to the Company.



## As of the Yearend 2007, the Distribution of Aksigorta Management Staff was as follows:

|                           |    |
|---------------------------|----|
| General Manager           | 1  |
| Assistant General Manager | 6  |
| Regional Manager          | 10 |
| Manager                   | 28 |
| Assistant Manager         | 49 |
| Total                     | 94 |

## In 2007, Number of Aksigorta Personnel was as follows:

|                       |     |
|-----------------------|-----|
| Beginning of the Term | 519 |
| Commencing Employment | 130 |
| Leaving Employment    | 73  |
| End of the Term       | 576 |

As of yearend 2007, 48% of the employees of Aksigorta are female and 52% are male. As a result of the employment policy applied, the number of employees of Aksigorta that have undergraduate and graduate degrees has increased to 80%. Company employees receive, in addition to their base salaries, a bonus equivalent to 4 gross monthly salaries, lunch or lunch money and benefit from collective transport. In addition, employees are assured under life insurance or individual accident insurance. In addition to these benefits, they are enjoying health and retirement program within the content of Akbank T.A.Ş. Members Retirement Fund Foundation.

One of the novelties brought in 2007 was composing of the business ethics rules. In addition to the distribution of the "Ethical Rules Booklet" to the employees, these rules were explained in detail through meetings and e-trainings. Furthermore, all the questions on this subject are being responded by the in house Ethical Rules consultant. Ethical rules are defined under the following headings; honesty, confidentiality, conflict of interests, legal responsibilities and our responsibilities toward the customers, employees, our suppliers, competitors, shareholders, public and Sabancı name.

In the insurance trainings and training programs organized for improving personal and managerial skills, total of 2,269 people were trained in 2007. When all the trainings organized are taken into consideration as of the yearend, trainings per person has been 8 days. This timeline emphasizes the importance of the investment Aksigorta made into training.

The first three modules of the training program initiated by the Company under slogan "We Are the Leader" were completed in 2007. Agencies were also included in these programs and it was ensured that they benefit from the training tapes and books at agreeable conditions. The project shall continue with the trainings to be organized in 2008. According to the evaluation report of the trainings, the satisfaction level of the employees is 94%. In addition, the employees were enabled in 2007 to participate in sector based

courses, seminars and conferences both in Turkey and abroad and English and Microsoft Excel courses were organized within the Company. Widespread user training was organized due to the change of system implemented by the Company.

In 2007, 85 trainings were organized for agencies on basic and technical insurance subjects and 1,594 agency employees have attended these trainings. Throughout the year, special technical trainings were organized in line with the needs of our agencies and requests of the regional directorates. Aksigorta, sponsoring the Agency School organized by İstanbul University, has initiated an effort which would set an example for university-private sector cooperation. In addition, trainings for experts have continued and 737 experts have attended the trainings organized. Insurance trainings organized for Akbank employees were attended by 768 Akbank personnel. In the programs initiated with the merge of Service Center employees to Aksigorta, total of 226 Service Center employees were trained.

## Aksigorta Continues the Plus (+) Commission Support Provided to its Agencies

Aksigorta continues to rate its agencies based on certain criteria and reward them by plus (+) commissions based on their scores through the "Agency Rating System", which is the first and only in the sector. This periodical evaluation is based on criteria such as realization of premium generation targets, technical profitability, collection, coverage, loyalty etc. In 2005, in line with the expectations and requirements of the sector and Aksigorta, certain changes were made in the rating system and Auto Technical Profitability criteria was also included in the system, thus creating a more fair and realistic practice was aimed. In this manner, the working style of the agencies has changed. Before this practice, agencies mostly focused on sales, whereas after this practice they began to realize the importance of process management and efficiency of other activities of the insurance business. The agencies had the opportunity to increase their income through plus commissions they receive due to successful performances they achieve in all the fields.

## "Aksigorta Service Center" Continues to Create Distinction and Privilege in the Sector

One of the other significant distinctions of Aksigorta in the sector is "Aksigorta Service Center". "Aksigorta Service Center" continues to provide support to its customers, agencies and service providers on every subject throughout the process, which begins with the proposal stage that is making the initial contact with the customer, and intensifies as damage occurs and continues uninterruptedly during subsequent processes. In addition to providing 24 hours 7 days uninterrupted insurance services through this center, Aksigorta continues to create distinction with its services such as Complaint and Demand Management, Claims

Management and Satisfaction Calls. Service Center regularly continues the outgoing calls (Happy Calls) made in order to facilitate the claims process for the customers and to inform them in a timely manner as well as measuring post service customer satisfaction. In September 2007, Aksigorta has incorporated the Service Center and its staff of 45 persons.

"Aksigorta Service Center" has increased its phone line capacity to 60 and the FCT capacity to 30 in order to meet the increasing customer demands. In 2007, the Service Center has received a total of 951.114 calls and has made 120.751 outgoing calls. Within the frame of Service Center "Demand Management" practice, the agencies are introduced to the potential customers that request price quotations. With this practice, in 2007, 2.492 new customers' contact information was passed on to the agencies and policies were arranged for 203 customers by ensuring call back to the customers within approximately 24 hours. Also within the context of this practice, the nearest agency's information was passed on to 1.158 customers. Whereas the "Complaint Management" practice ensures that the complaints received through all the channels are gathered in a single database and monitored effectively. With regard to customer complaints, returning to customers within 48 hours is ensured by keeping an uninterrupted communication between Aksigorta Service Center/ Aksigorta Regional Directorate / Aksigorta Agency / Aksigorta Head Office.

### **Aksigorta Increases Both Customer Satisfaction and Ensures Effective Claims Management and Control through its Extensively Contracted Service Network**

Aksigorta's works on expanding contracted services, increasing their rate of use and decreasing costs have continued in 2007 in the positive direction. In addition, with the expertise claim file practice initiated, the claim processes have been positively affected. In 2007, number of contracted services was increased to 1,250 compared to 986 at yearend of 2006 and the rate of use reached 65%. Within the context of OEP project, the control over the costs was generally increased by integrating 307 of our contracted services under the headquarters to the portal system. The contracted glass application continued in 2007 with three companies. The rate of use was increased to 87% in 2007 compared to 84% in 2006. In addition, Aksigorta has started working with a contracted glass company as a glass supplier in combined claims. Through the continuing contracts executed within the context of plastic and aluminum spare parts repair, it was ensured that certain spare parts that need to be replaced are repaired and thus 70% profit was obtained on the average compared to spare part price. In addition, by directing the services toward spare part repair without leading them to contracted firms, cutback of costs have continued.

The practice of mini repair coverage provided within the

context of auto policy successfully continues with one of the firms we work together in spare part repair. Radio/Tape recorder contracted service practice continues with a rate of use of 50% and approximately 43% profit was generated.

In "Spare Part Supply" practice, which was one of the most important projects initiated in 2006, services are provided in 38 brands through 163 suppliers in 81 cities, 35 of which are at city centers. In this practice, positive contribution was obtained in terms of company profitability by obtaining discount not only in supplied spare parts, but also in every claim suitable for supply. In addition, directing services to repair instead of replacing spare parts has decreased the costs. Within the frame of customer satisfaction notion, Aksigorta expedites the claims processes and obtains optimum benefit in pert vehicle practice by working with a professional company.

The number of Aksigorta's contracted partners has reached 2,100 and various services are provided in 81 cities in damage repair, including contracted services, suppliers, glass dealers and mini repair. Field control works which focus on the follow-up/control of the damage repairs and technical issues regarding the damages have been extended on regional basis through employment of new personnel in 2007. The field controllers working in İstanbul have started working in the Company 2 days a week to control the files on documents.

As of April 2006, all the recourse transactions have started to be conducted by the general directorate. With this change implemented, the costs have decreased and the income has considerable increased. According to which, in 2007 Aksigorta has recorded 18% increase in its total recourse income compared to 2006.

The primary policy of Aksigorta in recourse transactions is to make collection in settlement especially due to long legal processes in third party claims. Efforts are made to conclude these files in settlement. In the recent term, decrease in litigation files has been achieved and positive effects have been observed in cash entries in parallel to the significant increase in collections in settlement. Aksigorta shall increasingly continue its efforts in this matter.

### **Aksigorta Continues to Invest in the Control and Management of Work Processes**

In 2007, Aksigorta has started to apply to the claim processes the "Operational Efficiency Project" which was initiated in 2005 in order to bring the service quality and customer satisfaction to the highest level with a customer centered approach and to become a company "providing services at world class standards". Aksigorta aims to be a pioneer in the sector by becoming an insurance company that inspects, approves and pays the claims files in the shortest period starting from claim notice and thereafter, through the works conducted in improvement of claim processes. In line with this target, the working styles have been rendered effective

and the working manners with the parties such as contracted services, experts, assistance companies taking part in this process has been significantly changed. The Company has brought all of these solution partners together on the Aksigorta portal and has passed on to an entirely electronic work environment. Aksigorta, with the major investments made in technologies, such as world class document management and work flow management, has shifted to management by targets, using measurable performance indicators particular to claim process. One of the other important target of the project is undoubtedly the claims management. This project ensures more efficient claims management and contributes to increasing technical profitability.

Within the frame of OEP, in file inspection, specialized groups for inspection based on criteria such as line of business, claim type, file difficulty level etc. are established and an organizational structure supporting specialization has been prepared.

Process and technology improvements establish the basis of operational efficiency:

- Works that require specialization and works that form an important part of the process, but do not require specialization have been separated,
- Standardization has been established in working methods and rules,
- Manual works have been eliminated through document management, work flow applications and Aksigorta portal and the process has been significantly shortened,
- Certain works have been completely eliminated and processes have been shortened by ensuring that other parties take part in the document management and work flow management,
- Service quality is increased and efficiency is ensured by enabling the insured, distribution channels and all the other parties' access more detailed and accurate information pertaining to the claim processes through Aksigorta portal.

These works enable to transform Aksigorta Regional Directorates to a structure more focused on sales and company-agency relations management rather than operations.

### **Aksigorta Continues to Increase Bank's Generation through Bankassurance Project**

Aksigorta is the first company to initiate significant investments in widespread insurance sales through the bank channel and to increase effectiveness with the Bankassurance Project it has launched in 1998. The Company continues its investments in this field with the same speed and through Akbank branches, which constitute one of the important distribution channels; it can easily sell to the bank's customer base the Aksigorta products packaged simply and specifically for this channel.

Akbank branches have completely integrated Aksigorta policies with the banking products and enabled easy procurement of policies to their customers. Aksigorta, in order to increase its generation through the bank channel, shall continue developing joint projects with Akbank in 2008 as well and shall especially focus on long term policies attached to the term of loans.

### **Aksigorta Continues its Information Technologies Projects and Infrastructure Renovation Works**

Aksigorta, setting off for information technologies infrastructure suitable for the changing conditions of the day and Company targets, has launched a brand new infrastructure in 2007 called Active07. With the launching of the project, it was aimed to raise the Company performance in a short time. This infrastructure was designed in a way to have an efficient role in establishing new profitable business models by easily detecting the changing needs of the sector, overlooked fields and the new market segments consisting of customers that do not yet receive services. In addition, Active07 enabled seizure of the opportunities such as improving the dialogues and reviewing the coordination between the teams. The new software has provided new gains for Aksigorta in taking due care of customers' and agencies' rights by producing suitable policies based on accurate information. In this term, the software solution used in the bankassurance area, which is among the subjects of importance for Aksigorta, was also made compatible with the new infrastructure.

In 2007, in terms of the information technologies, the works carried out were oriented toward the target of developing products that are suitable for the business apprehension of Aksigorta, simple but wider-ranging and that take care of customers' rights. All the controls, warnings and reports were simplified and made more efficient. With the support of an end-to-end transparent, easy to monitor and report infrastructure that is created through Active07, responsibility for sharing with the customers, agencies and other third party individuals and companies has been simplified. Having renewed its technological infrastructure and processes, Aksigorta positioned itself in the right direction with Active07 to leap forward, adapt to competitive conditions faster and to even dictate the terms of competition.

### **Aksigorta Continues to Feel the Pulse of Consumers and Agencies**

Aksigorta, in cooperation with TNS-PIAR Company since 2001, evaluates the service quality provided by competitor companies to their agencies and customers within the perspective of various criteria. Aksigorta, measuring the level of satisfaction and expectations of the agencies, individual and commercial customers based on the yearend survey results of TNS-PIAR, aims to improve its service quality in line with the survey results. According to these researches, it is observed that

Aksigorta has achieved significant improvement since 2004 on every subject it gives importance to. Improvements have been made in various areas in line with the expectations of our customers and agencies as have emerged in those researches. Results of the survey conducted by TNS-PIAR oriented toward agency and customer satisfaction has reached a pleasing level for our Company in 2007.

### **Aksigorta Continues to Add Value to its Trademark through Corporate Communication Efforts**

The 2007 advertising campaign, which Aksigorta has realized in order to reinforce its strong trademark perception, started with the "image" advertisement and continued with the "Akkasko" and "Akkonut" advertisements which emphasize that every provided coverage is a "right" for the policyholders and a single package policy provides many rights without having to pay additional fees. The campaign which places Aksigorta advantages in the competitive environment at the center aimed to come to the foreground in the purchasing preferences of the potential and existing customers.

### **Aksigorta is Pioneering the Sector in Social Responsibility Projects As Well**

Aksigorta continues to deliver its share with the social consciousness notion. Within the framework of "Investing in Future Project" initiated in 1995, the Fire and Earthquake Simulation Center (YADEM) became operational in 1996 at the Aksigorta headquarters for the purpose of providing training to the children within the age group of 7-14 regarding protection from disasters such as fire and earthquake and to give them the notion of insurance and on 1 November 2006, YADEM has moved to Şişli Municipality Science Center Foundation through transfer of right of use so that it is visited and benefited by more people. Thus it was ensured that larger masses benefit from YADEM.

In addition, every year in April, a painting contest with the subject of "Fire, Earthquake and Insurance" is being held among the elementary school students in a selected city. While this contest encourages the young talents for art, it also raises awareness in them for fire, earthquake and insurance. Financial support is provided to the schools of the students awarded the first three prizes. The 15th annual painting contest which has become a tradition shall be held in Trabzon in May 2008.

Aksigorta, attaching importance to corporate social responsibility projects, continues the "Educate Me", collecting books campaign with the support of the Company's employees and agencies which was initiated internally in the Company to support the students of elementary education and to encourage the adults of the future for reading.

Aksigorta, always supporting art, has continued co-sponsorship of Zeynep Tanbay Dance Project in 2007 as well. The Company covers treatment expenses and required

physiotherapy expenses of the dancers due to injuries they may encounter during rehearsals and shows under Health Insurance General Terms and Conditions and it shall continue supporting the project in 2008 as well.

Aksigorta continued its cooperation with İstanbul Foundation for Culture and Arts in 2007 as well and insured the movies to be shown in the Film Festival within the context of the sponsorship agreement.

### **Aksigorta is Awarded "The Most Trusted Insurance Company in Terms of Quality" for the Last Three Years**

Aksigorta A.Ş. has once again shown that it is the most trusted and respected institution in the sector by being voted "The Most Trusted Insurance Company in Terms of Quality" for the last three years as a result of the research conducted by Consumer Magazine in the generality of Turkey with the subject of "The Effect of Trademarks on the Consumer". Aksigorta is deemed worthy to receive the "Consumer Quality Award" in 2008, as in the years 2006 and 2007. The Company emphasizes the importance it ascribes to customer satisfaction, received its award at the ceremony held on 15 March 2007, which is the world consumer day. Furthermore, Aksigorta was selected as the "Most Remembered Non-life Insurance Company" in the "Brands Survey" conducted by A.C. Nielsen in 2007.

Aksigorta has established the quality assurance system by taking ISO 9001:1994 standards as a model and has received its quality standard certificate in 1998. In 2001, the certificate was renewed in a manner conforming with ISO 9001:2000 quality management standards and as a result of certification auditing made in 2007, it has ensured the continuity of this certificate until 2010.

### **Aksigorta Has Continued in 2007 its Assertion of Being the Pioneer and Leader Insurance Company of Turkey that Operates at World-class Standards**

Aksigorta A.Ş. exercises utmost care to provide accurate information on its balance sheet and profit/loss statements, in conformity with its vision of "being the pioneer and leader insurance company of Turkey that operates at world-class standards."

Since 1983, the balance sheet and profit/loss statements of Aksigorta A.Ş. are issued on a quarterly basis and they are announced to the public since 1994 due to the fact that the shares of the Company are being listed in the İstanbul Stock Exchange (ISE). All the accounts and transactions of Aksigorta are being audited by independent and foreign auditing companies of international qualification since 1977.

In addition to the audit report, the report on the yearend balance sheet and profit/loss statements prepared by the Independent Auditing Firm, DRT Bağımsız Denetim ve Serbest Mali Müşavirlik Anonim Şirketi (a member of Deloitte Touche Tohmatsu), are being published within the Activity Report.

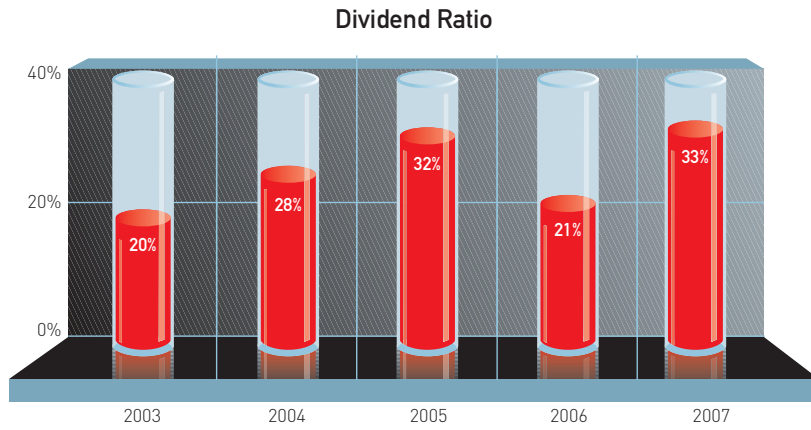
## CAPITAL MOVEMENTS

### Registered Capital

Having adopted the registered capital system pursuant to the provisions the law numbered 2499 and completed the transition thereto under the Capital Markets Board's permission numbered 301 and dated March 9, 1995, Aksigorta A.Ş., announced, in the Turkish Commercial Registry Gazette edition numbered 6441 and dated November 29, 1995, that it has increased its registered capital to TRY 500 million from TRY 150 million.

### Dividend Distribution Ratios

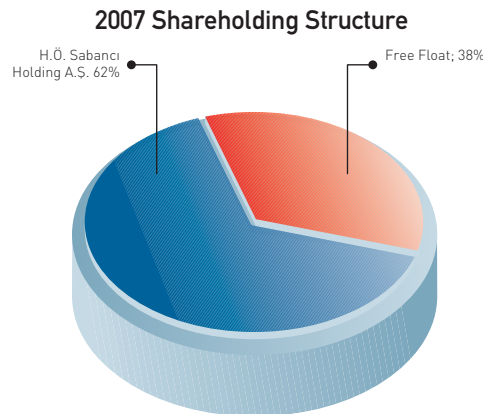
The dividend ratios distributed to shareholders over the last five years are as follows (a portion of the resulting net profit distributed to the shareholders):



### Shareholders holding more than 10% of the Issued Capital

Name of the shareholder holding more than 10 % of the partnership capital, amount of the shares held by it and ratio of its shares to capital are as follows:

| Shareholder's Name    | Amount of the Shares (TRY) | Shareholding Ratio |
|-----------------------|----------------------------|--------------------|
| H. Ö. Sabancı Holding | 189,658,800                | 61.98%             |



### Issued Securities

As of December 31, 2007 there are no securities issued by Aksigorta A.Ş.

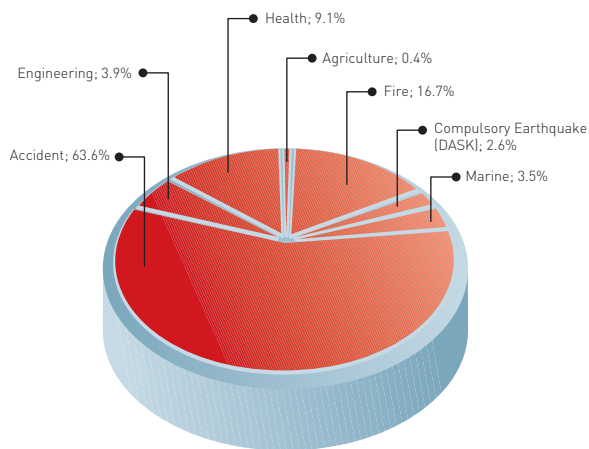
## OPERATIONAL RESULTS

Having maintained its leading position in the sector based on the key performance criteria such as growth, profitability, company value and customer satisfaction, Aksigorta is the most experienced company in the sector when it comes to earning income not only from its operations in the insurance

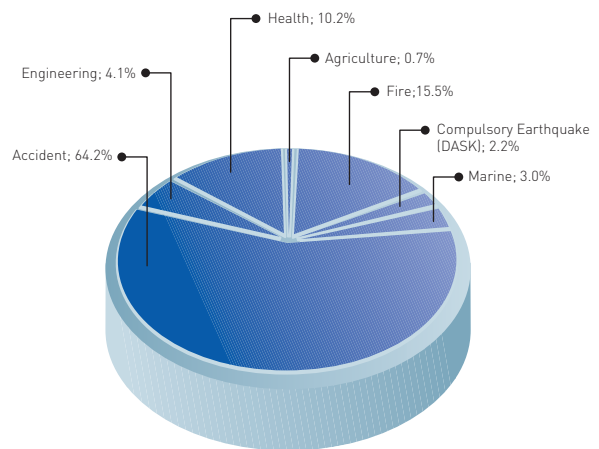
business but also on its financial investments. The Company has boosted its generated premiums in 2007 by 18.7% to TRY 794 million from TRY 669 million. Breakdown of the premiums by lines of business over the last two years is as follows:

| [TRY Thousand]               | Premiums Written |                |             | Distribution (%) |              |
|------------------------------|------------------|----------------|-------------|------------------|--------------|
|                              | 2006             | 2007           | Change (%)  | 2006             | 2007         |
| Fire                         | 111,985          | 123,018        | 9.9         | 16.7             | 15.5         |
| Compulsory Earthquake (DASK) | 17,287           | 17,843         | 3.2         | 2.6              | 2.2          |
| Marine                       | 23,381           | 24,001         | 2.7         | 3.5              | 3.0          |
| Accident                     | 425,565          | 509,472        | 19.7        | 63.6             | 64.2         |
| Engineering                  | 25,748           | 32,209         | 25.1        | 3.9              | 4.1          |
| Health                       | 60,720           | 80,954         | 33.3        | 9.1              | 10.2         |
| Agriculture                  | 2,486            | 5,214          | 109.7       | 0.4              | 0.7          |
| Life                         | 1,553            | 862            | -44.5       | 0.2              | 0.1          |
| <b>TOTAL</b>                 | <b>668,725</b>   | <b>793,573</b> | <b>18.7</b> | <b>100.0</b>     | <b>100.0</b> |

2006 Premiums Distribution



2007 Premiums Distribution





At the yearend of 2007, 42% of the written premiums have been transferred under the monopoly, treaty and optional reinsurance agreements and 58% thereof, which translates to TRY 462 million, has been retained in the company retention.

Portion of the premiums generated by our various lines of business within the Company over the past two years that falls under the company retention and the retention rates are as follows:

| [TRY Thousand] | Retained Premiums |                | Retention Ratio (%) |           |
|----------------|-------------------|----------------|---------------------|-----------|
|                | 2006              | 2007           | 2006                | 2007      |
| Fire           | 44,287            | 51,389         | 40                  | 42        |
| Marine         | 14,407            | 14,211         | 62                  | 59        |
| Accident       | 259,109           | 341,394        | 61                  | 67        |
| Engineering    | 3,875             | 9,574          | 15                  | 30        |
| Health         | 26,631            | 42,759         | 44                  | 53        |
| Agriculture    | 381               | 1,392          | 15                  | 27        |
| Life           | 1,145             | 635            | 74                  | 74        |
| <b>TOTAL</b>   | <b>349,835</b>    | <b>461,521</b> | <b>52</b>           | <b>58</b> |

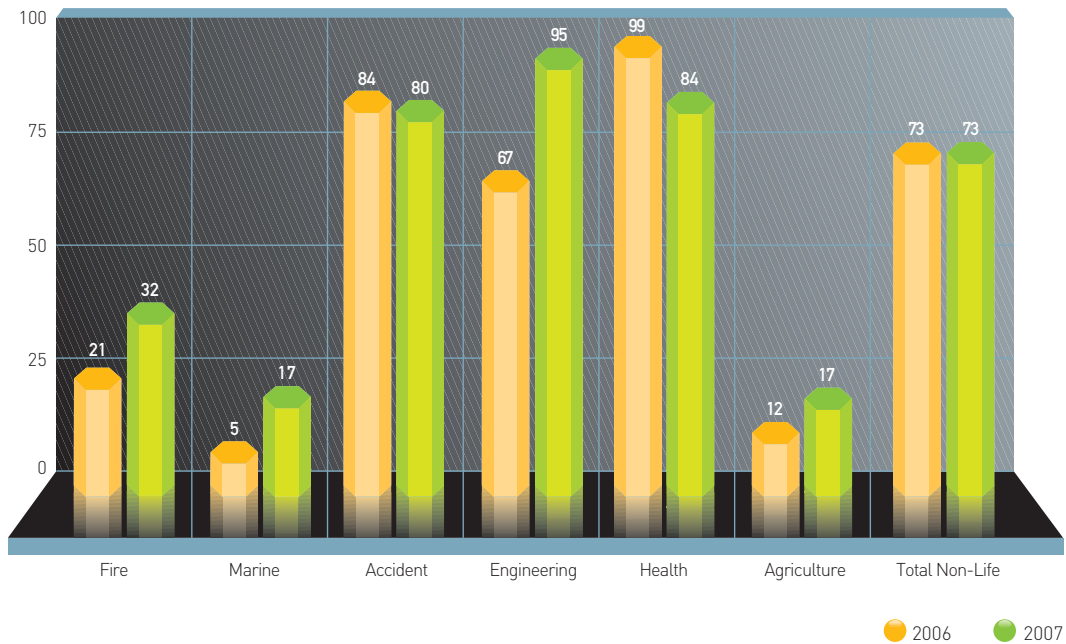


As of 2007, earned premiums retained by Aksigorta in non-life business is to TRY 395 million. However, the share of the company in the portion of the realized non-life claims is TRY 289 million. The yearend Claims Incurred (Net)/Earned

Premiums (Net) ratio in non-life business is realized as 73%. Aksigorta's ratios for claims and premiums by non-life lines of business for the past two years are as follows:

| [TRY Thousand]        | Claims Incurred (Net) |                | Earned Premiums (Net) |                | Claims Incurred/Earned Premiums(Net) (%) |           |
|-----------------------|-----------------------|----------------|-----------------------|----------------|--|-----------|
|                       | 2006                  | 2007           | 2006                  | 2007           | 2006                                     | 2007      |
| Fire                  | 8,790                 | 12,616         | 42,075                | 39,468         | 21                                       | 32        |
| Marine                | 770                   | 2,433          | 14,200                | 14,224         | 5  | 17        |
| Accident              | 189,866               | 240,384        | 226,647               | 300,504        | 84                                       | 80        |
| Engineering           | 2,238                 | 4,963          | 3,344                 | 5,202          | 67                                       | 95        |
| Health                | 24,740                | 28,742         | 25,062                | 34,256         | 99                                       | 84        |
| Agriculture           | 41                    | 241            | 336                   | 1,400          | 12                                       | 17        |
| <b>TOTAL Non-Life</b> | <b>226,445</b>        | <b>289,379</b> | <b>311,664</b>        | <b>395,054</b> | <b>73</b>                                | <b>73</b> |

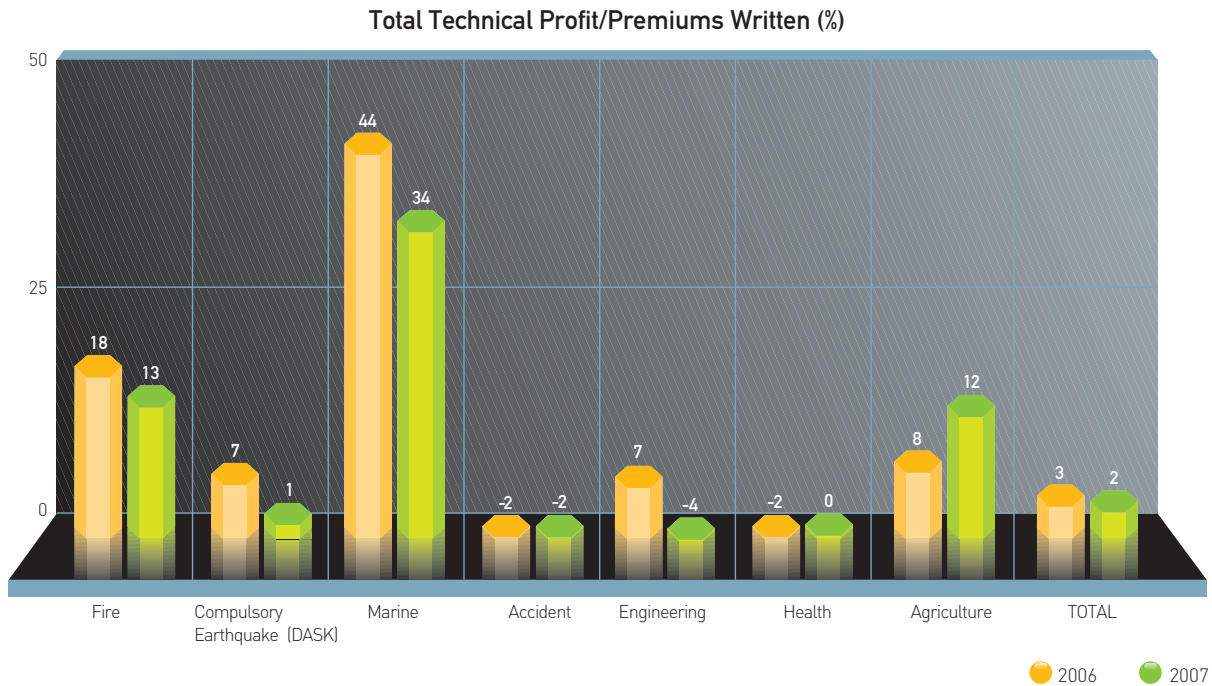
Claims Incurred / Earned Premiums (Net) (%)



With the new insurance accounting plan in 2005, the profit from insurance activities started to be evaluated within Total Technical Profit. Accordingly, Aksigorta's 2007 yearend Total Technical Profit is TRY 13 million. The breakdown of the Total

Technical Profit by lines of business for the past two years is as follows:

| [TRY Thousand]               | Total Technical Profit |               | Total Technical Profit / Premiums Written (%) |          |
|------------------------------|------------------------|---------------|---|----------|
|                              | 2006                   | 2007          | 2006  | 2007     |
| Fire                         | 20,389                 | 15,853        | 18  | 13       |
| Compulsory Earthquake (DASK) | 1,141                  | 258           | 7   | 1        |
| Marine                       | 10,287                 | 8,179         | 44  | 34       |
| Accident                     | -9,078                 | -10,017       | -2  | -2       |
| Engineering                  | 1,838                  | -1,348        | 7   | -4       |
| Health                       | -1,211                 | -272          | -2  | 0        |
| Agriculture                  | 207                    | 631           | 8   | 12       |
| Life                         | -2,618                 | -359          | -169  | -42      |
| <b>TOTAL</b>                 | <b>20,955</b>          | <b>12,925</b> | <b>3</b>                                      | <b>2</b> |



Aksigorta has also earned TRY 121 million on its investments in 2007 aside from the income earned as a result of its operations in the insurance business. The breakdown of investment income for the past two years is as follows:

| [TRY Thousand]                      | Investment Income |                |             |
|-------------------------------------|-------------------|----------------|-------------|
|                                     | 2006              | 2007           | Change (%)  |
| Dividend Income from Participations | 59,256            | 74,535         | 25.8        |
| Income from Financial Investment    | 31,687            | 37,594         | 18.6        |
| Foreign Exchange Gain               | 7,488             | 8,049          | 7.5         |
| Real Estate Income                  | 318               | 313            | 1.6         |
| Other Investments' Income           | 116               | 116            | 0.0         |
| <b>TOTAL</b>                        | <b>98,865</b>     | <b>120,607</b> | <b>22.0</b> |

As a result of all of the above technical and financial figures, Aksigorta's Profit Before Taxes was realized as TRY 126 million and Net Profit After Taxes was realized as TRY 114 million.

As of yearend 2007, Aksigorta's Total Shareholders' Equity is TRY 2,639 million and the breakdown of the Shareholders' Equity over the past two years is as follows:

| [TRY Million]                     | Equity Distribution |              |             |
|-----------------------------------|---------------------|--------------|-------------|
|                                   | 2006                | 2007         | Change (%)  |
| Paid in Capital                   | 434                 | 434          | 0.0         |
| Nominal Capital                   | 306                 | 306          | 0.0         |
| Inflation Adj. on Capital         | 128                 | 128          | 0.0         |
| Profit and Capital Reserves       | 1,259               | 2,086        | 65.7        |
| Previous Years' Profits           | 5                   | 5            | 0.0         |
| Net Profit of the period          | 74                  | 114          | 54.1        |
| <b>Total Shareholders' Equity</b> | <b>1,772</b>        | <b>2,639</b> | <b>48.9</b> |

Aksigorta's main investments as of the yearend 2007, amounts to TRY 2,437 million. The breakdown of the main investments for the past two years is as follows:

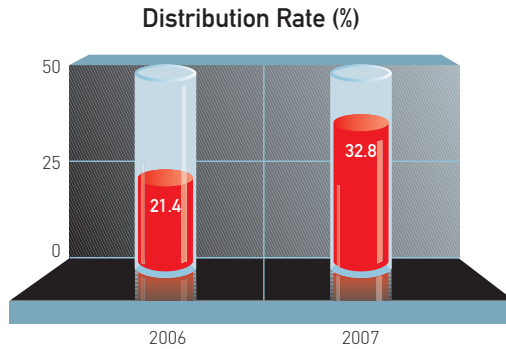
| [TRY Thousand]  | Investments      |                  |             |
|---|------------------|------------------|-------------|
|   | 2006             | 2007             | Change (%)  |
| Financial Assets and Investments with Risks on Policy Holders | 67,823           | 117,761          | 73.6        |
| Affiliates  | 1,572,155        | 2,268,098        | 44.3        |
| Properties  | 48,643           | 51,024           | 4.9         |
| <b>Total Investments</b>                                      | <b>1,688,621</b> | <b>2,436,883</b> | <b>44.3</b> |

As of yearend 2007, participations, total of TRY 2,437 million worth of shares of which owned by Aksigorta based on their current market value as shown in the books thereof and relevant participation ratios are as follows:

| Affiliates                      | Share (%) |
|---------------------------------|-----------|
| Ak Finansal Kiralama            | 0.01      |
| Ak Yatırım Menkul Değerler      | 0.02      |
| Akbank                          | 6.07      |
| Akçansa Çimento                 | 7.47      |
| Avivasa                         | 49.83     |
| Çimsa                           | 2.57      |
| Dönkasan                        | 0.02      |
| Tarsim                          | 5.26      |
| Temsa                           | 2.75      |
| Tursa Sabancı Turizm ve Yatırım | 2.57      |
| Yünsa                           | 1.49      |

Bilateral profit distribution table as of the report date is as follows:

| [TRY Thousand]             | Profit Distribution Table |         |            |
|----------------------------|---------------------------|---------|------------|
|                            | 2006                      | 2007    | Change (%) |
| Profit Before Tax          | 79,251                    | 126,534 | 60         |
| Taxes Provisions           | 5,067                     | 12,038  | 138        |
| Profit After Tax           | 74,184                    | 114,496 | 54         |
| First Level Legal Reserve  | 3,709                     | 5,725   | 54         |
| Distributable Profit       | 70,475                    | 108,771 | 54         |
| Second Level Legal Reserve | 5,010                     | 8,490   | 69         |
| Distributed Dividend       | 65,400                    | 100,200 | 53         |
| Earnings Per Share         | 0.214                     | 0.328   | 53         |
| Profit Distribution        | 21.4                      | 32.8    | 53         |



## FINANCIAL INDICATORS

With its shareholders' equity of TRY 2.6 billion, Aksigorta, as the sector's most robust company; creates a distinction in the sector by its underwriting and claims management process practices and delivers fast and reliable service to its customers regarding underwriting and claims payment. With its high claims payment ratio and capital sufficiency ratios, the Company maintains its reliability in customers' favor. Owing to its robust shareholders' equity and investments made into its information technology infrastructure, Aksigorta manages to increase the company retention ratio by making more reliable risk analysis in underwriting and expedites its claims processes by moving

the relevant transactions onto electronic environment, increases efficiency thereof and improves its claims ratios. The Company maintains the upward trend in generated premiums through offering products fitting to the customers' needs and reflects this trend on its net profit and asset value. Having generated TRY 794 million in premiums in 2007, Aksigorta's net profit amounts to TRY 114 million and Aksigorta continues to benefit our shareholders with higher return on equity and increased company value. While the Company's value is boosted as the value of its assets reached to TRY 3.1 billion, the Company's return on equity swelled to 13.5% in 2007.

| FINANCIAL FIGURES (TRY Million)                 | 2003   | 2004   | 2005*  | 2006*  | 2007*  |
|---|--------|--------|--------|--------|--------|
| Premiums Written                                | 359    | 417    | 516    | 669    | 794    |
| Claims Paid                                     | 221    | 271    | 340    | 446    | 488    |
| Total Technical Profit                          | 8      | 18     | 29     | 21     | 13     |
| Profit Before Tax                               | 47     | 69     | 84     | 79     | 127    |
| Net Profit                                      | 41     | 66     | 72     | 74     | 114    |
| Paid in Capital                                 | 153    | 153    | 153    | 306    | 434    |
| Shareholders' Equity                            | 279    | 319    | 1,765  | 1,772  | 2,639  |
| Total Assets                                    | 441    | 516    | 2,034  | 2,100  | 3,051  |
| <b>CAPITAL ADEQUACY RATIOS</b>                  |        |        |        |        |        |
| Premiums Written/Shareholders' Equity           | 128.6% | 130.8% | 29.2%  | 37.8%  | 30.1%  |
| Shareholders' Equity/Total Assets               | 63.2%  | 61.7%  | 86.8%  | 84.4%  | 86.5%  |
| Shareholders' Equity/Technical Provisions (Net) | 209.8% | 196.6% | 944.7% | 704.8% | 862.1% |
| <b>OPERATIONAL RATIOS (NON-LIFE)</b>            |        |        |        |        |        |
| Retention Ratio                                 | 36.2%  | 41.9%  | 45.6%  | 52.3%  | 58.1%  |
| Claims Paid / Total Claims (Paid & Outstanding) | 73.7%  | 78.9%  | 72.9%  | 70.1%  | 71.9%  |
| Loss Ratio (Net)                                | 83.4%  | 72.6%  | 71.4%  | 72.7%  | 73.3%  |
| Combined Ratio                                  | 115.3% | 108.7% | 92.3%  | 97.3%  | 101.6% |
| <b>PROFITABILITY RATIOS</b>                     |        |        |        |        |        |
| Total Technical Profit / Premiums Written       | 2.2%   | 4.3%   | 5.6%   | 3.1%   | 1.6%   |
| Profit Before Tax / Premiums Written            | 13.2%  | 16.5%  | 16.3%  | 11.8%  | 15.9%  |
| Net Profit / Premiums Written                   | 11.5%  | 15.8%  | 14.0%  | 11.1%  | 14.4%  |
| Net Profit / Shareholders' Equity               | 14.8%  | 20.7%  | 4.1%   | 4.2%   | 4.3%   |
| Net Profit / Shareholders' Equity (Adjusted)**  |        |        | 9.0%   | 10.6%  | 13.5%  |

(\*) UFRS transition started up in 2005.

(\*\*) Participations and dividend income are write off adjusted.



## CORPORATE GOVERNANCE COMPLIANCE REPORT

### 1. Declaration of Compliance with the Principles of Corporate Governance

Aksigorta A.S., applies the "Principles of Corporate Governance" published by the Capital Markets Board in general terms and the unapplied matters are explained under the subsequent articles along with their grounds.

### SECTION I: SHAREHOLDERS

#### 2. Unit for Relations with the Shareholders

In our company, the following staffs are responsible for relations with the shareholders:

Mehmet Ermurat, Manager  
Tel: (0212) 393 45 15  
Fax: (0212) 334 39 00  
E-mail: mehmet.ermurat@aksigorta.com.tr

Muzaffer Öztürk, Assistant Manager  
Tel: (0212) 393 46 10  
Fax: (0212) 334 39 00  
E-mail: muzaffer.ozturk@aksigorta.com.tr

The Relations with the Investors unit is in charge of conducting the relations with the shareholders. In 2007, within the framework of this task, 93 face to face meetings were held with the corporate investors; 48 of which were held at the company headquarters, 36 of which at the 1-on-1 investors' meeting held abroad once and 9 of which at the 1-on-1 investors' meeting held in Turkey once and information regarding the company and the insurance sector was shared in these meetings. 35 phone conversations were made with the corporate shareholders and the questions raised were answered. 41 e-mail applications of the shareholders were responded.

#### 3. Shareholders' Enjoyment of Their Right to Obtain Information

In 2007, a total of 169 requests of the shareholders received via phone calls, e-mails and vis-à-vis meetings were responded by the Investor Relations Unit; for this purpose, the information that would concern the shareholders were announced at the address within the mandatory terms for notice. In addition, the developments that would affect the exercise of shareholding rights are being announced regularly through İstanbul Stock Exchange.

Company's Articles of Association does not stipulate appointment of a private auditor as a right. In 2007, there had not been any requests from the shareholders on this subject.

#### 4. Information Regarding General Assembly

In 2007, one General Assembly Meeting was held. The Ordinary General Assembly Meeting was held on March 27, 2007. Shareholders representing 63.87% of the shares have attended to the Ordinary General Assembly Meeting. Invitations to these meetings were made in accordance with the provisions of the Turkish Commercial Code and the provisions of the Company's Articles of Association. There are no terms specified for the attendance of the registered shareholders recorded at the shareholders' book to the General Assembly. The annual report that also included the audited 2006 figures was submitted to the inspection of the shareholders at the Company's headquarters at least 19 days prior to the General Assembly. Shareholders did not exercise their right of raising questions during the General Assembly and there had not been any submission of proposals other than the agenda items. Resolutions of importance as stipulated in the Turkish Commercial Code are being submitted to the approval of the shareholders at the General Assembly. Once the legal conformity of the Corporate Governance Principles are ensured, all the resolutions of importance that would be stipulated in the amended laws shall also be submitted to the approval of the shareholders at the General Assembly. Minutes of the General Assembly meeting are being published on the internet at address.

#### 5. Voting Rights and Minority Rights

The Articles of Association does not stipulate privileged votes. In the Articles of Association, there had not been any stipulations on this subject based on the consideration that entitling cumulative voting right in the existing shareholder percentages and shareholder structure would damage the company's harmonious management structure. Once this issue is stipulated in the related laws and abuse of the cumulative voting right by the minority is prevented, this subject will be evaluated by the General Assembly.

#### 6. Profit Distribution Policy

There are no privileges for participation in the Company's profit. The manner and time of profit distribution is specified in Articles 61 and 63 of the Articles of Association.

In accordance with our corporate governance principles, profit distribution policy of our Company is the payment either in cash and/or in the form of bonus shares of the mandatory dividends required to be distributed in accordance with the existing rules of the CMB and principles on dividend and bonus shares distribution as stipulated in the meeting of CMB dated January 27, 2006 and numbered 4/67. Profit distribution of our Company is being performed within the legal terms. Profit distribution policy of our Company is to distribute cash

dividend minimum at 30% of the distributable profit. The dividend policy is revised by the Board of Directors every year according to the national and global economic conditions, projects on the agenda and the status of the funds.

With respect to this matter, the profit distribution policy we have explained above was also submitted to the attention of the shareholders at the general assembly meeting.

## 7. Share Transfer

It is possible to transfer our shares (with blank endorsement) that are publicly held, in the transfer of the shares that are not open to public; provisions of the Capital Board Law are applied. In accordance with the Insurance Law numbered 5684, acquiring shares, directly or indirectly, in a manner equal to or exceeding ten percent, twenty percent, thirty three percent or fifty percent of an insurance company and share transfers that would result in a single shareholder's shares increased to or decreased below such ratios, would require the approval of the Turkish Republic Prime Ministry, Undersecretariat of Treasury.

There are no provisions in the Company's Articles of Association that restricts share transfer.

## SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Information Policy

Our company observes the information policy in the manner stipulated in the Capital Markets Board Corporate Governance Principles. In accordance with this policy, financial results of our company regarding the independently and externally audited financial results of the 6th and 12th months' and the non independently audited financial results of the 3rd and 9th months' are being disclosed to public through a press release following the ISE announcement. In order to enable the public to be informed beforehand about the periodically announced financial information, we include the "Financial Announcements Calendar" in the website of our Company.

The General Manager, Mr. İ. Ragıp YERGIN and the Financial Reporting and Investor Relations Manager, Mr. Mehmet ERMURAT are responsible for the conducting of the information policy. Additionally, our financial results are being announced to public through the Public Disclosure Project (PDP). In addition, our financial statements prepared within the frame of the Insurance Law are being published once a year to inform the investors.

### 9. Particular Case Announcements

In 2007, our Company has made a total of 17 particular case explanations. Among the particular case explanations made

to CMB during the year, Estimated Premium Data Not Audited Independently was scheduled to 4, the Ordinary General Assembly Agenda of our company was scheduled to 1 and the Minutes of the Meeting of the Ordinary General Assembly was scheduled to 1 of those announcements. The mentioned explanations were made on time and there were no sanctions applied by CMB or ISE.

### 10. Company Website and Its Content

Our company hosts a website at the following address: [www.aksigorta.com.tr](http://www.aksigorta.com.tr)

The information listed in article 1.11.5, Section II of CMB Corporate Governance Principles is included in our website under the title of "Investor Relations". The subjects addressed under this title are as follows:

- Commercial registry information under the title of "Commercial Registry Information,"
- The latest status of the ownership structures under the title of "Ownership Structures,"
- The latest status of the management structure under the title of "Board of Directors,"
- Detailed information regarding the privileged shares under the title of "Privileged Shares,"
- Latest version of the Articles of Association under the title of, "Articles of Association,"
- Particular Case Explanations under the title of " Particular Case Explanations,"
- Annual reports under the title of, "Annual Reports"
- Periodical financial statements and reports under the title of, "Financial Information,"
- Agenda of the General Assembly meetings under the title of "General Assembly Meeting Agenda,"
- The schedule of the participants and the minutes of meetings under the title of "General Assembly Meetings of the Past 2 Years,"
- Proxy voting form under the title of "Proxy Voting Form,"
- Information requests received by the Company and the frequently asked questions and the answers thereto under the title of "Frequently Asked Questions."
- In addition to the above, contact points to be contacted in relations with the shareholders and corporate investors under the title of "Communication".

### 11. Declaration of Real Person Final Principal Shareholder /Shareholders

Our Company does not have any final principal shareholders that are real persons.

## 12. Announcement to Public of Persons who are in a Position to Receive Insider Information

The list of persons who can obtain insider information are included in the annual report under the title of Members of the Board of Directors, Members of the Auditing Commission and Executive Management and it has been announced to the public along with the annual report.

## SECTION III: INTEREST HOLDERS

### 13. Informing the Interest Holders

The employees of the company are being informed through the meetings held, seminars and training programs organized in their fields of expertise and general fields of interest and through the portal application and information sent via the Internet.

Whereas, our distribution channels are periodically informed about the company practices and procedures through announcements made via the circulars published at the webpage of our company under the title "For Our Agencies", as well as through traditional and regional agency meetings, preliminary and technical trainings organized and via e-mails.

### 14. Interest Holders' Participation to the Management

Participation of the employees to the management is ensured through periodical meetings. Managers from the regional directorates and departments participate in the monthly executive meeting. The meetings held at the departments are oriented toward supporting the executive meetings. In addition, in the information sharing meetings, information has been conveyed to all the employees in groups regarding practices, policy and targets, opinions of the employees were obtained, and their required participation and contribution were obtained in order to ensure the efficient management of the company.

Annual performance evaluation meetings are being held with the employees. In these meetings, the employees receive feedback with regard to their performances and it is ensured that the employees deliver their opinions and expectations.

### 15. Human Resources Policy

Our company has its human resources policies which are announced to all the employees and renewed in consideration of the developing strategies and needs. The vision, mission, and values of the company establish the basis for the human resources policies and practices. In order to achieve the company targets, the main purposes of human resources practices are to ensure that employees advance in the same direction and to work with employees that comprehend the

company values and adopt a lifestyle behavior according to these values.

The Company aims to increase the motivation and efficiency of the employees and ensure their personal developments through Performance Management, Career Planning and regular trainings.

The behavioral characteristics expected from the employees in the direction of vision, mission and values are announced to the company under the title of "Competencies Catalogue." Every year, all the employees are evaluated with a performance evaluation system based on competencies, their fields of improvement are defined and it is ensured that they receive training in the fields which require improvement. Employees can advance on their career path by demonstrating good performance. All the employees are aware of the determination shown by the company on this subject.

No representative is appointed for conducting the relations with the employees. The managers take a close interest in the problems of the employees that are reporting to them and follow their improvement opportunities. The Human Resources Department also takes an important role on this subject. The doors of both the middle managers and the top management are open to the employees at all times.

During and prior to 2007, no discrimination complaints of the employees were reported in our Company.

### 16. Information Regarding Relations with the Customers and Suppliers

Stimulated by our customer-focused service policy, Aksigorta Service Center put into operation in 2002, continues to provide nationwide service on 7 days 24 hours basis. Aksigorta Service Center is the important contact point for the customers concerning insurance and cases of emergency. The claims process starts from Aksigorta Service Center and Aksigorta Service Center stands by our customer through the entire claim process by making outgoing calls. The services provided from Aksigorta Service Center are also being provided on our website; our customers can access information regarding claim files and policies uninterruptedly. The complaints of customers regarding our services are being recorded by all our distribution channels through special software and solution durations and customer satisfaction are being monitored. Customers' satisfaction of our services are regularly measured and followed up through outgoing calls made from Aksigorta Service Center.

### 17. Social Responsibility

Our Company continues to deliver its share with the social responsibility notion. Within the framework of "Investing in Future Project" initiated in 1995, the Fire and Earthquake

Simulation Center (YADEM) became operational in 1996 at the Aksigorta headquarters for the purpose of providing training to the children within the age group of 7-14 regarding protection from disasters such as fire and earthquake and to give them the notion of insurance. In order to attract more visitors and make it more beneficial, YADEM has moved to Şişli Municipality Science Center Foundation on November 1, 2006 through transfer of right of use. Therefore, it was ensured that larger masses benefit from YADEM.

In addition, every year in April a painting contest with the subject of "Fire, Earthquake and Insurance" is organized among the elementary school students in a selected city. With this contest, while the young talents are encouraged for art, awareness is raised in them for fire, earthquake and insurance as well. As a result of the contest, financial support is provided to the schools of the students awarded the first three prizes.

In April 2007, the fourteenth traditional painting contest was held in Konya. The fifteenth painting contest with the subject of "Fire, Earthquake and Insurance" shall be held in April in Trabzon.

The activities of our Company conducted with the social responsibility notion have been included in the activity report.

#### **SECTION IV: BOARD OF DIRECTORS**

##### **18. Structure and Organization of the Board of Directors and Independent Members**

The Board of Directors of our company, as by the member division, is as follows:

Mehmet Akın Kozanoğlu Chairman of the Board of Directors

Rıdvan Kadir Yirmibeşoğlu, Vice Chairman of the Board of Directors

Turgay Özbek, Member of the Board of Directors

Haluk Erdoğan, Member of the Board of Directors

Burak Tansan, Member of the Board of Directors

İsmail Ragıp Yergin, Member of the Board of Directors and General Manager

Our Members of the Board of Directors are authorized by the resolution of the General Assembly to execute transactions in line with the articles 334 and 335 of the Turkish Commercial Code.

##### **19. Qualifications of the Members of the Board of Directors**

The required qualifications for the Members of the Board of Directors of our company covers the related provisions included in the CMB Corporate Governance Principles. The minimum qualifications required for Members of the Board of Directors are not stipulated in the Articles of Association. However, the Insurance Law numbered 5684 defines the qualifications of the Members of the Board of Directors.

##### **20. Vision and Mission As Well As the Strategic Targets of the Company**

The Board of Directors of our Company has defined its vision and mission and has announced this in writing in its annual report and at the same time, to public through the Internet at address. The Board of Directors, while approving the following year's budget at the yearends, discusses the strategic targets established by the managers at the same time. The Board of Directors has one-to-one knowledge of the implementation process of the adopted decisions in parallel to the comparative presentations made by the company authorities at the meetings. In these presentations, in addition to the comparison of the current year in terms of budget and actual outcome, the comparative study of the same periods of the previous years are also being submitted to the Board of Directors. The Board of Directors repeats this process bi-monthly.

##### **21. Risk Management and Internal Control Mechanism**

It is specified in the Insurance Law numbered 5684 that the insurance companies are obliged to establish an efficient internal supervision system, including the risk management systems. Our Company has an efficient supervision system with the committee of the Board of Directors responsible for supervision and the Internal Supervision unit working under this committee. The Internal Supervision unit which is also responsible for controlling the risk management of the Company, functions in accordance with the annual "Supervision Plan" approved by the Board of Directors. The committee commissioned for supervision consists of two members selected from among the members of the Board of Directors and convenes at least for times during the year.

Internal control mechanism exists from the day the Company was incorporated and the operations and efficiency of the internal control mechanism is constantly monitored by the Board of Directors through the reports of Internal Supervision unit and the committee commissioned for supervision.

Our Company attaches vast importance to the analysis and management of risks and through the Risk Management Directorate, it is endeavored to ensure that the firms are

secured more by informing the companies on the coverage they require and the measures that need to be taken within the context of the insurance through analyzing the risk to be insured. Within the context of risk management, effective risk control is realized by conducting financial analysis works for the insured companies.

## **22. Authorities and Responsibilities of the Members of the Board of Directors and the Managers**

Management right and representation authorities of the Board of Directors of our Company have been defined in the Articles of Association. Whereas, authorities and responsibilities of the managers have not been stipulated in the Articles of Association. However, the mentioned authorities and responsibilities are established by the Company's Board of Directors.

## **23. Principles of Activity of the Board of Directors**

The Board of Directors of our company held a total of 50 meetings during 2007 by obtaining written approval in line with the provisions of the Turkish Commercial Code and the Articles of Association. The agenda of the Board of Directors meetings of the Company are established by the consulting of the Chairman of the Board of Directors of the Company with the current Members of the Board of Directors. The established agenda and the contents of the agenda items are conveyed to the Members of the Board of Directors in writing and in the form of a file by the General Manager 1 week in advance in order to ensure the performance of the required review and studies.

In the meetings held in 2007, no dissenting opinions against the decisions adopted by the Members of the Board of Directors were delivered.

The actual attendance of the members without an excuse to the Board of Directors meetings has been ensured while the subjects stipulated in article 2.17.4 of section IV of the CMB Corporate Governance Principles were resolved. Since the Members of the Board of Directors did not raise any questions on these subjects, they were not entered into the minutes. Qualified right of vote and/or right of veto were not granted to the Members of the Board of Directors on the mentioned decisions.

## **24. Prohibition of Competition and Entering into Transactions with the Company**

The Members of the Board of Directors of the company have not entered into transactions with the company within this term.

## **25. Ethical Rules**

In our company, business ethic rules were established and put into practice. In addition to the distribution of the "Ethical Rules Booklet" to the employees, these rules were explained in detail through meetings and e-trainings. Furthermore, all the questions on this subject are being responded by the in house Ethical Rules consultant. Ethical rules are defined under the following headings; honesty, confidentiality, conflict of interests, legal responsibilities and our responsibilities toward the customers, employees, our suppliers, competitors, shareholders, public and Sabancı name. Ethical Rules of our company were announced to all the company employees, but were not disclosed to public.

## **26. Number, Structure and Independency of the Committees Established under the Board of Directors**

Our company has the Auditing Committee under the Board of Directors. The Auditing Committee consists of two members of the Board of Directors that are not appointed to the execution.

## **27. Financial Rights Granted to the Board of Directors**

The Board of Directors pays to two members of the Board of Directors, one of which is the general manager, 12 salaries and 4 bonuses annually, determined on an annual basis in line with the wages policy of the company. In the determination of such rights, the results of the company and the performance evaluation method is being taken into consideration. General Assembly determines the remuneration paid to the other members of the Board of Directors. There are no other financial rights granted to the Members of the Board of Directors by the Company.

## AUDITOR'S REPORT

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

|                |                    |   |
|----------------|--------------------|---|
| Partnership's; | Title:             | Aksigorta A.Ş.  |
|                | Headquarters:      | Meclis-i Mebusan Cad. No: 147 34427 Fındıklı/İstanbul |
|                | Capital:           | TRY 306,000,000                                       |
|                | Field of Activity: | Insurance   |

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

Nedim Bozfakıoğlu and Mevlüt Aydemir. Our term of office is 3 years. We are not shareholders in the company. We are not company personnel.

**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 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 and results of the counting made at the cash office of the partnership in accordance with 3<sup>rd</sup> subparagraph of 1st paragraph of Article 353 of the Turkish Commercial Code:**

The cash counting was made 6 times and it was observed that the existing amount is in conformity with the records.

**Dates and results of the inspection made in accordance with 4<sup>th</sup> 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.

**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 01.01.2007 - 31.12.2007 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 31.12.2007 and the income statement for the term of 01.01.2007 - 31.12.2007, the contents of which we support, reflect the financial status of the partnership as 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 association of the partnership.

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

Date: 07.03.2008



Mevlüt Aydemir  
Auditor



Nedim Bozfakıoğlu  
Auditor



## DISTRIBUTION OF PROFIT

Dear Shareholders;

Approval of the 2007 balance sheet and profit and loss account and release of the Board of Directors and Auditors for the transactions and accounts pertaining to this year:

We submit to your inspection and approval, the distribution of gross TRY 100,200,000 cash dividend to the shareholders after deducting the financial obligations and making the necessary allocations for the reserves in accordance with the

provisions of the Turkish Commercial Code and the Statute from the profit of an amount of TRY 126,534,404 obtained as a result of the activities of 2007 and to allocate the remainder as an extraordinary capital reserve.

We pay our homage wishing that 2008 will be a more bright and successful year for our country, company, shareholders and employees.

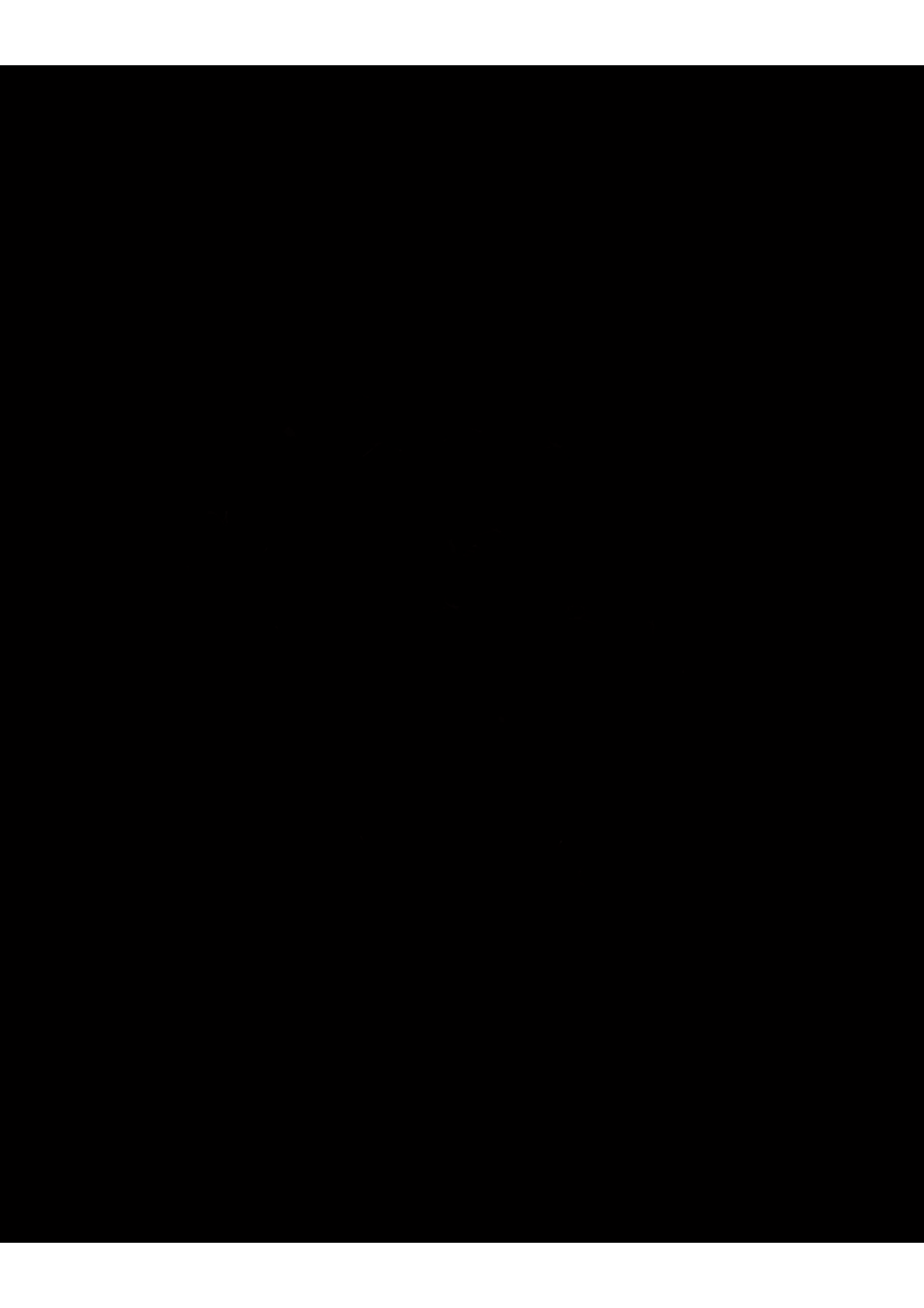


M. Akın Kozanoğlu  
Chairman



**AKSIGORTA ANONİM ŐIRKETİ**

Financial statements for the  
year ended 31 December 2007



To the Board of Directors of Aksigorta Anonim Şirketi  
İstanbul

## AKSİGORTA ANONİM ŞİRKETİ

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

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

Additional paragraph for English translation:

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

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

Member of DELOITTE TOUCHE TOHMATSU



Sibel Türker  
Partner  
İstanbul, 14 March 2008

## AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

### ASSETS

TRY

|   | Note     | Audited                      |                               |
|---|----------|------------------------------|-------------------------------|
|   |          | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>I- Current Assets</b>  |          |                              |                               |
| <b>A- Cash and Cash Equivalents</b>                                     |          | <b>300,320,894</b>           | <b>152,869,536</b>            |
| 1- Cash   |          | 381                          | 730                           |
| 2- Cheques Received   |          | 0                            | 0                             |
| 3- Banks  | 35       | 305,914,058                  | 156,240,505                   |
| 4- Cheques Given and Payment Orders (-)                                 |          | -5,593,545                   | -3,371,699                    |
| 5- Other Cash and Cash Equivalents                                      |          | 0                            | 0                             |
| <b>B- Financial Assets and Investments with Risks on Policy Holders</b> | 25       | <b>117,761,139</b>           | <b>67,823,395</b>             |
| 1- Securities Available for Sale  |          | 81,254,755                   | 30,023,498                    |
| 2- Securities Held to Maturity  |          | 0                            | 0                             |
| 3- Securities Held for Trading  |          | 26,616,530                   | 23,485,717                    |
| 4- Loans  |          | 0                            | 0                             |
| 5- Provision for Loans (-)  |          | 0                            | 0                             |
| 6- Investments with Risks on Policy Holders                             |          | 9,889,854                    | 14,314,180                    |
| 7- Equity Shares  |          | 0                            | 0                             |
| 8- Diminution in Value of Financial Securities (-)                      |          | 0                            | 0                             |
| <b>C- Receivables From Main Operations</b>                              |          | <b>301,620,581</b>           | <b>249,502,803</b>            |
| 1- Receivables From Insurance Operations                                | 11.e, 17 | 297,498,946                  | 252,645,584                   |
| 2- Provision for Receivables From Insurance Operations (-)              | 11.e, 30 | 0                            | -6,864,460                    |
| 3- Receivables From Reinsurance Operations                              |          | 0                            | 0                             |
| 4- Provision for Receivables From Reinsurance Operations (-)            |          | 0                            | 0                             |
| 5- Cash Deposited For Insurance & Reinsurance Companies                 |          | 45,692                       | 27,139                        |
| 6- Loans to Policyholders   |          | 0                            | 0                             |
| 7- Provision for Loans to Policyholders (-)                             |          | 0                            | 0                             |
| 8- Receivables from Pension Operation                                   |          | 0                            | 0                             |
| 9- Doubtful Receivables From Main Operations                            |          | 20,444,755                   | 17,615,360                    |
| 10- Provisions for Doubtful Receivables From Main Operations (-)        | 30       | -16,368,812                  | -13,920,820                   |
| <b>D- Due from Related Parties</b>                                      |          | <b>12,014</b>                | <b>11,877</b>                 |
| 1- Due from Shareholders  |          | 0                            | 0                             |
| 2- Due from Affiliates  |          | 0                            | 0                             |
| 3- Due from Subsidiaries  |          | 0                            | 0                             |
| 4- Due from Joint Ventures  |          | 0                            | 0                             |
| 5- Due from Personnel   |          | 0                            | 0                             |
| 6- Due from Other Related Parties                                       |          | 12,014                       | 11,877                        |
| 7- Rediscount on Receivables Due from Related Parties (-)               |          | 0                            | 0                             |
| 8- Doubtful Receivables Due from Related Parties                        |          | 0                            | 0                             |
| 9- Provisions for Doubtful Receivables Due from Related Parties (-)     |          | 0                            | 0                             |
| <b>E- Other Receivables</b>   |          | <b>2,994,631</b>             | <b>1,943,312</b>              |
| 1- Leasing Receivables  |          | 0                            | 0                             |
| 2- Unearned Leasing Interest Income (-)                                 |          | 0                            | 0                             |
| 3- Deposits and Guarantees Given  |          | 7,650                        | 6,315                         |
| 4- Other Receivables  | 27       | 2,986,981                    | 1,936,997                     |
| 5- Rediscount on Other Receivables (-)                                  |          | 0                            | 0                             |
| 6- Other Doubtful Receivables   |          | 0                            | 0                             |
| 7- Provisions for Other Doubtful Receivables (-)                        | 30       | 0                            | 0                             |
| <b>F- Prepaid Expenses and Income Accruals</b>                          |          | <b>2,235,005</b>             | <b>1,494,930</b>              |
| 1- Prepaid Expenses   |          | 149,297                      | 108,234                       |
| 2- Accrued Interest and Rent Income                                     |          | 2,085,708                    | 1,386,696                     |
| 3- Income Accruals  |          | 0                            | 0                             |
| 4- Other Prepaid Expenses and Income Accruals                           |          | 0                            | 0                             |
| <b>G- Other Current Assets</b>  |          | <b>3,239,858</b>             | <b>2,773,367</b>              |
| 1- Inventories  |          | 101,618                      | 94,990                        |
| 2- Prepaid Taxes and Funds  |          | 3,109,671                    | 2,203,099                     |
| 3- Deferred Tax Assets  |          | 0                            | 0                             |
| 4- Business Advances  |          | 28,569                       | 475,278                       |
| 5- Advances Given to Personnel  |          | 0                            | 0                             |
| 6- Stock Count Differences  |          | 0                            | 0                             |
| 7- Other Current Assets   |          | 0                            | 0                             |
| 8- Provision for Other Current Assets (-)                               |          | 0                            | 0                             |
| <b>I- Total Current Assets</b>  |          | <b>728,184,122</b>           | <b>476,419,220</b>            |

**AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET**

**ASSETS**

TRY

|  | Note        | Audited                      |                               |
|--|-------------|------------------------------|-------------------------------|
|  |             | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>II- Non Current Assets</b>  |             |                              |                               |
| <b>A- Receivables From Main Operations</b>   |             | <b>0</b>                     | <b>0</b>                      |
| 1- Receivables From Insurance Operations   |             | 0                            | 0                             |
| 2- Provision for Receivables From Insurance Operations (-)                         |             | 0                            | 0                             |
| 3- Receivables From Reinsurance Operations   |             | 0                            | 0                             |
| 4- Provision for Receivables From Reinsurance Operations (-)                       |             | 0                            | 0                             |
| 5- Cash Deposited for Insurance & Reinsurance Companies                            |             | 0                            | 0                             |
| 6- Loans to Policyholders  |             | 0                            | 0                             |
| 7- Provision for Loans to Policyholders (-)  |             | 0                            | 0                             |
| 8- Receivables From Pension Operations   |             | 0                            | 0                             |
| 9- Doubtful Receivables from Main Operations                                       |             | 0                            | 0                             |
| 10-Provision for Doubtful Receivables from Main Operations                         |             | 0                            | 0                             |
| <b>B- Due from Related Parties</b>   |             | <b>0</b>                     | <b>0</b>                      |
| 1- Due from Shareholders   |             | 0                            | 0                             |
| 2- Due from Affiliates   |             | 0                            | 0                             |
| 3- Due from Subsidiaries   |             | 0                            | 0                             |
| 4- Due from Joint Ventures   |             | 0                            | 0                             |
| 5- Due from Personnel  |             | 0                            | 0                             |
| 6- Due from Other Related Parties  |             | 0                            | 0                             |
| 7- Rediscount on Receivables Due from Related Parties (-)                          |             | 0                            | 0                             |
| 8- Doubtful Receivables Due from Related Parties                                   |             | 0                            | 0                             |
| 9- Provisions for Doubtful Receivables Due from Related Parties (-)                |             | 0                            | 0                             |
| <b>C- Other Receivables</b>  |             | <b>0</b>                     | <b>0</b>                      |
| 1- Leasing Receivables   |             | 0                            | 0                             |
| 2- Unearned Leasing Interest Income (-)  |             | 0                            | 0                             |
| 3- Deposits and Guarantees Given   |             | 0                            | 0                             |
| 4- Other Receivables   |             | 0                            | 0                             |
| 5- Rediscount on Other Receivables (-)   |             | 0                            | 0                             |
| 6- Other Doubtful Receivables  |             | 0                            | 0                             |
| 7- Provisions for Other Doubtful Receivables (-)                                   |             | 0                            | 0                             |
| <b>D- Financial Assets</b>   | 25          | <b>2,268,098,449</b>         | <b>1,572,154,837</b>          |
| 1- Investments In Associates   |             | 1,712,284,553                | 1,395,321,898                 |
| 2- Affiliates  |             | 22,161,910                   | 191,494,416                   |
| 3- Capital Commitments to Affiliates (-)   |             | -204,545                     | -239,584                      |
| 4- Subsidiaries  |             | 0                            | 0                             |
| 5- Capital Commitments to Subsidiaries (-)   |             | 0                            | 0                             |
| 6- Joint Ventures  |             | 548,222,171                  | 0                             |
| 7- Capital Commitments to Joint Ventures (-)                                       |             | 0                            | 0                             |
| 8- Financial Assets and Investments with Risks on Policy Holders                   |             | 0                            | 0                             |
| 9- Other Financial Assets  |             | 0                            | 0                             |
| 10- Diminution in Value of Financial Assets (-)                                    |             | -14,365,640                  | -14,421,893                   |
| <b>E- Tangible Fixed Assets</b>  |             | <b>49,736,440</b>            | <b>47,972,717</b>             |
| 1- Investment Properties   | 8.a.c, 11.g | 10,533,335                   | 10,078,063                    |
| 2- Diminution in Value for Investment Properties (-)                               |             | 0                            | 0                             |
| 3- Owner Occupied Property   | 8.a.c, 11.g | 40,491,007                   | 38,564,640                    |
| 4- Machinery and Equipments  |             | 0                            | 0                             |
| 5- Furnitures and Fixtures   | 8.a.c, 11.g | 23,238,564                   | 21,372,528                    |
| 6- Vehicles  | 8.a.c, 11.g | 102,258                      | 116,670                       |
| 7- Other Tangible Assets (Including Leasehold Improvements)                        | 8.a.c, 11.g | 1,832,473                    | 1,830,952                     |
| 8- Leased Tangible Fixed Assets  |             | 351,395                      | 351,395                       |
| 9- Accumulated Depreciation (-)  | 11.g        | -26,812,592                  | -24,341,531                   |
| 10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses) | 8.e, 11.g   | 0                            | 0                             |
| <b>F- Intangible Fixed Assets</b>  |             | <b>5,212,582</b>             | <b>2,994,833</b>              |
| 1- Rights  | 8.b,11.g    | 5,853,588                    | 3,204,803                     |
| 2- Goodwill  |             | 0                            | 0                             |
| 3- Establishment Costs   |             | 0                            | 0                             |
| 4- Research and Development Expenses   |             | 0                            | 0                             |
| 6- Other Intangible Assets   |             | 0                            | 0                             |
| 7- Accumulated Amortizations (-)   | 11.g        | -641,006                     | -209,970                      |
| 8- Advances Regarding Intangible Assets  |             | 0                            | 0                             |
| <b>G- Prepaid Expenses and Income Accruals</b>                                     |             | <b>100,569</b>               | <b>0</b>                      |
| 1- Prepaid Expenses  |             | 100,569                      | 0                             |
| 2- Income Accruals   |             | 0                            | 0                             |
| 3- Other Prepaid Expenses and Income Accruals                                      |             | 0                            | 0                             |
| <b>H- Other Non-current Assets</b>   |             | <b>0</b>                     | <b>0</b>                      |
| 1- Effective Foreign Currency Accounts   |             | 0                            | 0                             |
| 2- Foreign Currency Accounts   |             | 0                            | 0                             |
| 3- Inventories   |             | 0                            | 0                             |
| 4- Prepaid Taxes and Funds   |             | 0                            | 0                             |
| 5- Deferred Tax Assets   |             | 0                            | 0                             |
| 6- Other Non-current Assets  |             | 0                            | 0                             |
| 7- Other Non-current Assets Amortization (-)                                       |             | 0                            | 0                             |
| 8- Provision for Other Non-current Assets (-)                                      |             | 0                            | 0                             |
| <b>II- Total Non-current Assets</b>  |             | <b>2,323,148,040</b>         | <b>1,623,122,387</b>          |
| <b>TOTAL ASSETS</b>  |             | <b>3,051,332,162</b>         | <b>2,099,541,607</b>          |

## AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

### LIABILITIES

TRY

|  | Note | Audited                      |                               |
|--|------|------------------------------|-------------------------------|
|  |      | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>III- Short Term Liabilities</b>   |      |                              |                               |
| <b>A- Borrowings</b>   |      | <b>0</b>                     | <b>0</b>                      |
| 1- Loans to Financial Institutions   |      | 0                            | 0                             |
| 2- Leasing Payables  |      | 757                          | 758                           |
| 3- Deferred Leasing Costs (-)  |      | -757                         | -758                          |
| 4- Current Portion of Long Term Debts  |      | 0                            | 0                             |
| 5- Principal Installments and Interests on Issued Bonds  |      | 0                            | 0                             |
| 6- Other Financial Assets Issued   |      | 0                            | 0                             |
| 7- Value Differences of Financial Assets Issued(-)   |      | 0                            | 0                             |
| 8- Other Financial Liabilities   |      | 0                            | 0                             |
| <b>B- Payables From Main Operations</b>  |      | <b>77.281.551</b>            | <b>52.678.031</b>             |
| 1- Payables Due To Insurance Operations  |      | 77,939,276                   | 52,680,428                    |
| 2- Payables Due To Reinsurance Operations  |      | 0                            | 0                             |
| 3- Cash Deposited by Insurance & Reinsurance Companies   |      | 7,349                        | 5,997                         |
| 4- Payables Due To Pension Operations  |      | 0                            | 0                             |
| 5- Payables from Other Operations  |      | 0                            | 0                             |
| 6- Rediscount on Other Payables From Main Operations (-)   |      | -665,074                     | -8,394                        |
| <b>C- Due to Related Parties</b>   |      | <b>256.492</b>               | <b>168.602</b>                |
| 1- Due to Shareholders   |      | 174,101                      | 161,144                       |
| 2- Due to Affiliates   |      | 0                            | 0                             |
| 3- Due to Subsidiaries   |      | 0                            | 0                             |
| 4- Due to Joint Ventures   |      | 0                            | 0                             |
| 5- Due to Personnel  |      | 82,391                       | 7,458                         |
| 6- Due to Other Related Parties  |      | 0                            | 0                             |
| <b>D- Other Payables</b>   |      | <b>12.823.779</b>            | <b>15.043.644</b>             |
| 1- Deposits and Guarantees Received  |      | 0                            | 0                             |
| 2- Other Payables  | 27   | 12,823,779                   | 15,043,644                    |
| 3- Rediscount on Other Payables (-)  |      | 0                            | 0                             |
| <b>E- Insurance Technical Provisions</b>   |      | <b>297.270.364</b>           | <b>190.776.313</b>            |
| 1- Provisions for Unearned Premiums - Net  | 11.b | 193,755,369                  | 127,924,680                   |
| 2- Unexpired Risk Reserves - Net   |      | 0                            | 0                             |
| 3- Life Mathematical Provisions - Net  |      | 0                            | 0                             |
| 4- Provision for Outstanding Claims - Net  | 11.b | 103,514,995                  | 62,851,633                    |
| 5- Provision for Bonus and Discounts - Net   |      | 0                            | 0                             |
| 6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net |      | 0                            | 0                             |
| 7- Other Technical Provisions - Net  |      | 0                            | 0                             |
| <b>F- Taxes and Other Liabilities and Relevant Provisions</b>                                    |      | <b>8.826.859</b>             | <b>2.955.353</b>              |
| 1- Taxes and Dues Payable  |      | 3,073,172                    | 2,677,191                     |
| 2- Social Security Premiums Payable  |      | 982,313                      | 827,000                       |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities                               |      | 0                            | 0                             |
| 4- Other Taxes and Liabilities   |      | 6,850                        | 6,491                         |
| 5- Corporate Tax Payable   |      | 12,038,058                   | 5,066,767                     |
| 6- Prepaid Taxes and Other Liabilities Regarding Period Profit (-)                               |      | -7,273,534                   | -5,622,096                    |
| 7- Provisions for Other Taxes and Liabilities  |      | 0                            | 0                             |
| 8- Provisions for Other Risks  |      | 0                            | 0                             |
| 1- Provision for Employment Termination Benefits   |      | 0                            | 0                             |
| 2- Pension Fund Deficit Provision  |      | 0                            | 0                             |
| 3- Provisions for Costs  |      | 0                            | 0                             |
| <b>H- Deferred Income and Expense Accruals</b>   |      | <b>1.375.666</b>             | <b>0</b>                      |
| 1- Deferred Income   |      | 0                            | 0                             |
| 2- Expense Accruals  |      | 0                            | 0                             |
| 3- Other Deferred Income and Expense Accruals  |      | 1,375,666                    | 0                             |
| <b>I- Other Short Term Liabilities</b>   |      | <b>0</b>                     | <b>0</b>                      |
| 1- Deferred Tax Liability  |      | 0                            | 0                             |
| 2- Inventory Count Differences   |      | 0                            | 0                             |
| 3- Other Short Term Liabilities  | 27   | 0                            | 0                             |
| <b>III - Total Short Term Liabilities</b>  |      | <b>397.834.711</b>           | <b>261.621.943</b>            |



**AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET**

**LIABILITIES**

TRY

|  | Note     | Audited                      |                               |
|--|----------|------------------------------|-------------------------------|
|  |          | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>IV- Long Term Liabilities</b>   |          |                              |                               |
| <b>A- Borrowings</b>   |          | <b>0</b>                     | <b>0</b>                      |
| 1- Loans to Financial Institutions   |          | 0                            | 0                             |
| 2- Leasing Payables  |          | 0                            | 0                             |
| 3- Deferred Leasing Costs (-)  |          | 0                            | 0                             |
| 4- Bonds Issued  |          | 0                            | 0                             |
| 5- Other Financial Assets Issued   |          | 0                            | 0                             |
| 6- Value Differences of Financial Assets Issued(-)   |          | 0                            | 0                             |
| 7- Other Financial Liabilities   |          | 0                            | 0                             |
| <b>B- Payables From Main Operations</b>  |          | <b>0</b>                     | <b>0</b>                      |
| 1- Payables Due To Insurance Operations  |          | 0                            | 0                             |
| 2- Payables Due To Reinsurance Operations  |          | 0                            | 0                             |
| 3- Cash Deposited by Insurance & Reinsurance Companies   |          | 0                            | 0                             |
| 4- Payables Due To Pension Operations  |          | 0                            | 0                             |
| 5- Payables from Other Operations  |          | 0                            | 0                             |
| 6- Rediscount on Other Payables From Main Operations (-)   |          | 0                            | 0                             |
| <b>C- Due to Related Parties</b>   |          | <b>0</b>                     | <b>0</b>                      |
| 1- Due to Shareholders   |          | 0                            | 0                             |
| 2- Due to Affiliates   |          | 0                            | 0                             |
| 3- Due to Subsidiaries   |          | 0                            | 0                             |
| 4- Due to Joint Ventures   |          | 0                            | 0                             |
| 5- Due to Personnel  |          | 0                            | 0                             |
| 6- Due to Other Related Parties  |          | 0                            | 0                             |
| <b>D- Other Payables</b>   |          | <b>0</b>                     | <b>0</b>                      |
| 1- Deposits and Guarantees Received  |          | 0                            | 0                             |
| 2- Other Payables  |          | 0                            | 0                             |
| 3- Rediscount on Other Payables (-)  |          | 0                            | 0                             |
| <b>E- Insurance Technical Provisions</b>   |          | <b>8,786,903</b>             | <b>60,638,666</b>             |
| 1- Provisions for Unearned Premiums - Net  |          | 0                            | 0                             |
| 2- Unexpired Risk Reserves - Net   |          | 0                            | 0                             |
| 3- Life Mathematical Provisions - Net  | 11.b     | 4,669,830                    | 5,665,781                     |
| 4- Provision for Outstanding Claims - Net  |          | 0                            | 0                             |
| 5- Provision for Bonus and Discounts - Net   |          | 0                            | 0                             |
| 6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net | 11.b     | 4,117,073                    | 6,085,466                     |
| 7- Other Technical Provisions - Net  | 11.b, 27 | 0                            | 48,887,419                    |
| <b>F- Tax and Other Liabilities to be Paid and Relevant Provisions</b>                           |          | <b>0</b>                     | <b>0</b>                      |
| 1- Taxes and Dues Payable  |          | 0                            | 0                             |
| 2- Overdue, Deferred or By Installment Taxes and Other Liabilities                               |          | 0                            | 0                             |
| 3- Other Liabilities and Expense Accruals  |          | 0                            | 0                             |
| <b>G- Provisions for Other Risks</b>   |          | <b>6,176,614</b>             | <b>5,196,220</b>              |
| 1- Provision for Employment Termination Benefits   | Mad.11.i | 6,176,614                    | 5,196,220                     |
| 2- Provisions for Employee Pension Fund Deficits   |          | 0                            | 0                             |
| <b>H- Deferred Income and Expense Accruals</b>   |          | <b>0</b>                     | <b>0</b>                      |
| 1- Deferred Income   |          | 0                            | 0                             |
| 2- Expense Accruals  |          | 0                            | 0                             |
| 3- Other Deferred Income and Expense Accruals  |          | 0                            | 0                             |
| <b>I- Other Long Term Liabilities</b>  |          | <b>235</b>                   | <b>235</b>                    |
| 1- Deferred Tax Liability  |          | 0                            | 0                             |
| 3- Other Long Term Liabilities   |          | 235                          | 235                           |
| <b>IV- Total Long Term Liabilities</b>   |          | <b>14,963,752</b>            | <b>65,835,121</b>             |

## AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

### SHAREHOLDER'S EQUITY

TRY

| V- Shareholders' Equity                           | Dip Not          | Audited                      |                               |
|---|------------------|------------------------------|-------------------------------|
|   |                  | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>A- Paid in Capital</b>                         |                  | <b>434,338,907</b>           | <b>434,338,907</b>            |
| 1- (Nominal) Capital                              | Mad.2            | 306,000,000                  | 306,000,000                   |
| 2- Unpaid Capital (-)                             |                  | 0                            | 0                             |
| 3- Positive Inflation Adjustment on Capital       |                  | 128,338,907                  | 128,338,907                   |
| 4- Negative Inflation Adjustment on Capital (-)   |                  | 0                            | 0                             |
| <b>B- Capital Reserves</b>                        |                  | <b>83,408,490</b>            | <b>0</b>                      |
| 1- Equity Share Premiums                          |                  | 0                            | 0                             |
| 2- Cancellation Profits of Equity Shares          |                  | 0                            | 0                             |
| 3- Profit on Sale to be Transferred to Capital    | Mad.25           | 83,408,490                   | 0                             |
| 4- Translation Reserves                           |                  | 0                            | 0                             |
| 5- Other Capital Reserves                         |                  | 0                            | 0                             |
| <b>C- Profit Reserves</b>                         |                  | <b>2,001,196,994</b>         | <b>1,258,468,223</b>          |
| 1- Legal Reserves                                 |                  | 83,649,103                   | 74,929,882                    |
| 2- Statutory Reserves                             |                  | 62                           | 62                            |
| 3- Extraordinary Reserves                         |                  | 233,853,498                  | 233,788,272                   |
| 4- Special Funds (Reserves)                       |                  | 0                            | 0                             |
| 5- Revaluation of Financial Assets                | Mad.34           | 1,630,795,831                | 949,750,007                   |
| 6- Other Profit Reserves                          | Mad.11.b, Mad.27 | 52,898,500                   | 0                             |
| <b>D- Previous Years' Profits</b>                 |                  | <b>5,092,962</b>             | <b>5,092,962</b>              |
| 1- Previous Years' Profits                        |                  | 5,092,962                    | 5,092,962                     |
| <b>E- Previous Years' Losses (-)</b>              |                  | <b>0</b>                     | <b>0</b>                      |
| 1- Previous Years' Losses                         |                  | 0                            | 0                             |
| <b>F- Net Profit of the Period</b>                |                  | <b>114,496,346</b>           | <b>74,184,451</b>             |
| 1- Net Profit of the Period                       |                  | 114,496,346                  | 74,184,451                    |
| 2- Net Loss of the Period                         |                  | 0                            | 0                             |
| <b>Total Shareholders' Equity</b>                 |                  | <b>2,638,533,699</b>         | <b>1,772,084,543</b>          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                  | <b>3,051,332,162</b>         | <b>2,099,541,607</b>          |

**AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT**

TRY

| I-TECHNICAL DIVISION   | Note | Audited                      |                               |
|--|------|------------------------------|-------------------------------|
|  |      | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>A- Non-Life Technical Income</b>  |      | <b>472,384,398</b>           | <b>392,034,915</b>            |
| 1- Earned Premiums (Net of Reinsurer Share)  |      | 395,054,949                  | 311,664,110                   |
| 1-1- Premiums (Net of Reinsurer Share)   |      | 460,886,021                  | 348,690,762                   |
| 1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)                                   | 2-10 | -65,831,072                  | -37,026,652                   |
| 1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)   |      | 0                            | 0                             |
| 2- Investment Income Transferred from Non-Technical Divisions  |      | 19,650,249                   | 14,975,034                    |
| 3- Other Technical Income (Net of Reinsurer Share)   | 27   | 57,679,200                   | 65,395,771                    |
| <b>B- Non-Life Technical Expense (-)</b>   |      | <b>-459,100,133</b>          | <b>-368,461,833</b>           |
| 1- Realized Claims (Net of Reinsurer Share)  |      | -289,379,399                 | -226,444,778                  |
| 1.1- Claims Paid (Net of Reinsurer Share)  |      | -247,621,381                 | -206,106,884                  |
| 1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)                                  | 2-10 | -41,758,018                  | -20,337,894                   |
| 2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)                                    |      | 0                            | 0                             |
| 3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)   | 2    | 0                            | -3,647,326                    |
| 4- Operating Expenses (-)  |      | -169,720,734                 | -138,369,729                  |
| <b>C- Non Life Technical Profit (A-B)</b>  |      | <b>13,284,265</b>            | <b>23,573,082</b>             |
| <b>D- Life Technical Income</b>  |      | <b>3,107,854</b>             | <b>3,717,837</b>              |
| 1- Earned Premiums (Net of Reinsurer Share)  |      | 635,406                      | 1,145,457                     |
| 1.1- Premiums (Net of Reinsurer Share)   |      | 635,022                      | 1,144,667                     |
| 1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)                                   |      | 384                          | 790                           |
| 1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)   |      | 0                            | 0                             |
| 2- Life Branch Investment Income   |      | 2,312,149                    | 2,318,305                     |
| 3- Accrued (Unrealized) Income from Investments  |      | 0                            | 0                             |
| 4-Other Technical Income (Net of Reinsurer Share)  |      | 160,299                      | 254,075                       |
| <b>E- Life Technical Expense</b>   |      | <b>-3,467,096</b>            | <b>-6,336,320</b>             |
| 1- Realized Claims (Net of Reinsurer Share)  |      | -6,053,952                   | -14,087,087                   |
| 1.1- Claims Paid (Net of Reinsurer Share)  |      | -7,148,608                   | -12,275,722                   |
| 1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)                                  | 2-10 | 1,094,656                    | -1,811,365                    |
| 2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)                                    |      | 0                            | 0                             |
| 3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)                                       | 2-10 | 995,951                      | 2,450,229                     |
| "4- Changes in Reserves for Life Insurance Policies Including Investment Risk (Net of Reinsurer Share and Reserves Carried Forward) (+/-)" | 2-10 | 2,008,456                    | 5,743,804                     |
| 5- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)   |      | 0                            | 0                             |
| 6- Operating Expenses (-)  |      | -301,944                     | -327,350                      |
| 7- Investment Expenses (-)   |      | 0                            | 0                             |
| 8- Accrued (Unrealized) Losses from Investments (-)  |      | 0                            | 0                             |
| 9- Investment Income Transferred to Non Technical Divisions (-)  |      | -115,607                     | -115,916                      |
| <b>F- Life Technical Profit (D-E)</b>  |      | <b>-359,242</b>              | <b>-2,618,483</b>             |
| <b>G- Individual Retirement Technical Income</b>   |      | <b>0</b>                     | <b>0</b>                      |
| 1- Fund Management Fee   |      | 0                            | 0                             |
| 2- Management Fee Deduction  |      | 0                            | 0                             |
| 3- Initial Contribution Fee  |      | 0                            | 0                             |
| 4- Management Fee In Case Of Temporary Suspension  |      | 0                            | 0                             |
| 5- Withholding tax   |      | 0                            | 0                             |
| 6- Increase in Market Value of Capital Commitment Advances   |      | 0                            | 0                             |
| 7-Other Technical Income   |      | 0                            | 0                             |
| <b>H- Individual Retirement Technical Expense</b>  |      | <b>0</b>                     | <b>0</b>                      |
| 1- Fund Management Expenses (-)  |      | 0                            | 0                             |
| 2- Decrease in Market Value of Capital Commitment Advances (-)   |      | 0                            | 0                             |
| 3- Operating Expenses (-)  |      | 0                            | 0                             |
| 4- Other Technical Expense (-)   |      | 0                            | 0                             |
| <b>I- Individual Retirement Technical Profit (G-H)</b>   |      | <b>0</b>                     | <b>0</b>                      |

## AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

TRY

| II- NON TECHNICAL DIVISION                                      | Note | Audited                      |                               |
|---|------|------------------------------|-------------------------------|
|   |      | Current Period<br>31.12.2007 | Previous Period<br>31.12.2006 |
| <b>C- Non Life Technical Profit</b>                             |      | <b>13,284,265</b>            | <b>23,573,082</b>             |
| <b>F- Life Technical Profit</b>                                 |      | <b>-359,242</b>              | <b>-2,618,483</b>             |
| <b>I- Individual Retirement Technical Profit</b>                |      | <b>0</b>                     | <b>0</b>                      |
| <b>J- Total Technical Profit (C+F+I)</b>                        |      | <b>12,925,023</b>            | <b>20,954,599</b>             |
| <b>K- Investment Income</b>                                     |      | <b>120,606,334</b>           | <b>98,865,222</b>             |
| 1- Income From Financial Investment                             |      | 31,705,258                   | 25,036,856                    |
| 2- Income from Sales of Financial Assets                        |      | 0                            | 747,401                       |
| 3- Revaluation of Financial Assets                              |      | 5,888,477                    | 5,902,326                     |
| 4- Foreign Exchange Gains                                       |      | 8,048,823                    | 7,488,278                     |
| 5- Dividend Income from Participations                          |      | 74,534,708                   | 59,256,593                    |
| 6- Income from Subsidiaries and Joint Ventures                  | 6    | 0                            | 0                             |
| 7- Real Estate Income   |      | 313,461                      | 317,852                       |
| 8- Income from Derivative Products                              |      | 0                            | 0                             |
| 9- Other Investments  |      | 0                            | 0                             |
| 10- Investment Income transferred from Life Technical Division  |      | 115,607                      | 115,916                       |
| <b>L- Investment Expenses (-)</b>                               |      | <b>-33,675,192</b>           | <b>-24,053,066</b>            |
| 1- Investment Management Expenses (including interest) (-)      |      | 0                            | 0                             |
| 2- Valuation Allowance of Investments (-)                       |      | 0                            | 0                             |
| 3- Losses On Sales of Investments (-)                           |      | 0                            | 0                             |
| 4- Investment Income Transferred to Life Technical Division (-) |      | -19,650,249                  | -14,975,034                   |
| 5- Losses from Derivative Products (-)                          |      | 0                            | 0                             |
| 6- Foreign Exchange Losses (-)                                  |      | -10,919,831                  | -6,190,985                    |
| 7- Depreciation Expenses (-)                                    | 1    | -3,105,112                   | -2,887,047                    |
| 8- Other Investment Expenses (-)                                |      | 0                            | 0                             |
| <b>M- Other Income and Expenses (+/-)</b>                       |      | <b>26,678,239</b>            | <b>-16,515,537</b>            |
| 1- Reserves (Provisions) account (+/-)                          | 2    | -2,337,761                   | -13,032,898                   |
| 2- Rediscount account (+/-)                                     | 2    | 545,423                      | -2,711,104                    |
| 3- Mandatory Earthquake Insurance Account (+/-)                 |      | 114,586                      | 4,630                         |
| 4- Inflation Adjustment Account (+/-)                           |      | 0                            | 0                             |
| 5- Deferred Tax Asset Accounts(+/-)                             |      | 0                            | 0                             |
| 6- Deferred Tax Expense Accounts (+/-)                          |      | 0                            | 0                             |
| 7- Other Income and Revenues                                    |      | 29,693,393                   | 1,374,479                     |
| 8- Other Expense and Losses (-)                                 | 27   | -1,337,402                   | -2,150,644                    |
| 9- Prior Period Income  |      | 0                            | 0                             |
| 10- Prior Period Losses (-)                                     |      | 0                            | 0                             |
| <b>N- Net Profit / (Loss)</b>                                   |      | <b>114,496,346</b>           | <b>74,184,451</b>             |
| 1- Profit/(Loss) Before Tax                                     |      | 126,534,404                  | 79,251,218                    |
| 2- Taxes Provisions (-)   | 2    | -12,038,058                  | -5,066,767                    |
| 3- Net Profit (Loss) after Tax                                  |      | 114,496,346                  | 74,184,451                    |
| 4- Inflation Adjustment Account (+/-)                           |      | 0                            | 0                             |

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

**1. OPERATIONS OF THE COMPANY**

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

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

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

**3. PREFERENCE SHARES**

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

**4. REGISTERED CAPITAL LIMIT**

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

**5. CAPITAL INCREASES DURING THE YEAR**

There is no capital increase in the year.

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

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

**7. ISSUED MARKETABLE SECURITIES REPRESENTING MATURED DEBT**

There is no debt securities matured during the year.

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

a) Cost of purchased or acquired fixed assets : TRY 4.696.114 (31 December 2006 – TRY 2.715.595 ).

b) Cost of purchased or acquired intangible assets: TRY 2.648.785 (31 December 2006 – TRY 1.806.752 ).

c) Cost of fixed assets sold and disposed : TRY 461.330 (31 December 2006 – TRY 1.302.694).

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

e) The quality, total amount, beginning and ending dates and completeness degree of construction in progress: None.

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

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

## 10. BALANCES WITH SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

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

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

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

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

**Accounting Principles**

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

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

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

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

**a. Financial Instruments**

According to the declaration of the Undersecretariat of the Treasury dated 3 March 2005 and numbered B.02.1.HM.0.SGM.0.3.1/15, valuation and accounting of the assets and liabilities of the insurance companies should be performed in accordance with the requirements of the CMB's Communiqué (No: 25 of Serial XI) on "Accounting Standards

in the Capital Markets" published in the Official Gazette dated 15 November 2003 and numbered 25290 until a new regulation is made by the Undersecretariat of the Treasury. Furthermore, without violating the rights and benefits of the policyholders, each of the financial investments of which their risks are attributable to the policyholders should be classified as held to maturity investments, available for sale investments and held for trading investments and valued in accordance with the requirements of the CMB's relevant communiqué.

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

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

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

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

**b. Technical Provisions**

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

The provision for unearned premium reserves represents the amount of net premiums underwritten in the current period but corresponds to the period subsequent to the balance sheet date and is calculated on daily basis. According to the



declaration of the Undersecretariat of the Treasury dated 10 December 2004 and numbered B.02.1.HM.0.SGM.0.3.1.1-75762, for the transportation policies which have no any specific due dates, 50% of the remaining portion of the premiums accrued in the last three months after subtracting the commissions, is provided as unearned premium reserves.

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

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

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

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

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

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

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

"Insurance and reinsurance companies provide 50% of the net retained premiums income in return of earthquake guarantees given in fire and engineering insurance branches, after deducting one third of this net retained premiums as commissions and expenses paid as an earthquake claims provision for 15 years. However, provision provided cannot be lower than 6% of the gross earthquake premiums written. Provided that, not exceeding the earthquake claim provision foreseen for the current year and ensuring adequate provision for the earthquake risk, premiums related with the non-proportional reinsurance agreements are deducted from the provision. The income generated by the funds created by this provision is also presented in this account. Losses realized from the investments of these funds cannot be reduced from the provision amount. Retention part of the payments made for the claims related to earthquake guarantees given are

deducted from the provision on "a first in first out" basis beginning from the first year earthquake claim provisions if available. If no payment is settled, all recognized provision and income are transferred to shareholders' equity at the end of the 15th year".

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

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

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

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

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

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

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

### c. Subrogation Income Accruals

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

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

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

### d. Premium Income and Claims

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

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

#### e. Receivables from Policyholders and Agents

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

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

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

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

21.149.294) of insurance payables included in liability accounts also consist of payables to the reinsurance and insurance companies.

#### f. Discount of Receivables and Payables

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

#### g. Tangible and Intangible Fixed Assets

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

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

#### h. Assets and Liabilities in Foreign Currency

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

#### i. Retirement Pay Provision

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

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

#### **j. Dividend Income**

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

#### **k. Incentive Commissions**

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

#### **l. Excess of Loss Payments**

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

#### **m. Clean- Cut Applications**

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

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

#### **n. Taxation**

##### **Corporate Tax**

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

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

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

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

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

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

##### **Income withholding tax**

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 21 June 2006 with Article 15 of Law No.5520. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

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

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

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

#### **Inflation Adjusted Tax Calculation**

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

#### **o. Comparative Information**

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

#### **12. SUBSEQUENT EVENTS**

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

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

#### **13. INFORMATION ON CONTINGENT LOSSES AND ALL CONTINGENT GAINS**

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

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

None.

#### **15. GUARANTEES AND MORTGAGES ON ASSETS**

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

## 16. INSURANCE ON ASSETS

### 31 December 2007

| Type of Asset         | Net Book Value | Insurance Coverage | Coverage Rate % |
|-----------------------|----------------|--------------------|-----------------|
| Tangible Fixed Assets | 49.736.440     | 214.622.067        | 431             |

### 31 December 2006

| Type of Asset         | Net Book Value | Insurance Coverage | Coverage Rate % |
|-----------------------|----------------|--------------------|-----------------|
| Tangible Fixed Assets | 47.972.717     | 173.031.230        | 361             |

## 17. GUARANTEES AND MORTGAGES RECEIVED

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

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

## 18. COMMITMENT AND CONTINGENT LIABILITIES

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

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

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

| Branch          | 31 December 2007      |                      | 31 December 2006      |                      |
|-----------------|-----------------------|----------------------|-----------------------|----------------------|
|                 | Required Blockage TRY | Current Blockage TRY | Required Blockage TRY | Current Blockage TRY |
| None Life       | 149.066.511           | 149.773.967          | 77.019.755            | 83.538.079           |
| Government Bond |                       | 76.652.297           |                       | 30.058.727           |
| Common Stock    |                       | 27.897.051           |                       | 14.969.475           |
| Real Estate     |                       | 45.224.619           |                       | 38.509.877           |
| Life            | 12.764.513            | 14.149.673           | 14.332.860            | 15.068.582           |
| Government Bond |                       | 9.891.924            |                       | 12.192.722           |
| Common Stock    |                       | 2.123.651            |                       | 2.875.860            |
| Reverse Repo    |                       | 2.164.098            |                       | -                    |
| <b>TOTAL</b>    | <b>161.831.024</b>    | <b>163.953.640</b>   | <b>91.352.615</b>     | <b>98.606.661</b>    |

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

|                         | Number       | Mathematical Reverse TRY |
|-------------------------|--------------|--------------------------|
| 31 December 2006        | 3.233        | 11.791.753               |
| Additions               | -            | 2.676.044                |
| Disposals               | (1.595)      | (5.680.451)              |
| <b>31 December 2007</b> | <b>1.638</b> | <b>8.787.346</b>         |
|                         | Number       | Mathematical Reverse TRY |
| 31 December 2005        | 6.483        | 19.985.785               |
| Additions               | -            | 4.149.049                |
| Disposals               | (3.250)      | (12.343.081)             |
| <b>31 December 2006</b> | <b>3.233</b> | <b>11.791.753</b>        |

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

| Branch            | 31 December 2007         | 31 December 2006         |
|-------------------|--------------------------|--------------------------|
|                   | TRY                      | TRY                      |
| Fire              | 73.016.657.681           | 133.440.219.238          |
| Transportation    | 44.091.030.692           | 112.228.147.771          |
| Accident          | 36.439.707.220           | 63.018.599.264           |
| Auto Liability    | 971.455.842.352          | 893.913.521.938          |
| Machine Assembly  | 10.247.786.493           | 24.331.631.284           |
| Agriculture       | 85.751.857               | 104.429.351              |
| Legal Protection  | 4.125.247.749            | 1.994.032.191            |
| Personal Accident | 35.262.735.659           | 30.805.777.701           |
| <b>Total</b>      | <b>1.174.724.759.703</b> | <b>1.259.836.358.738</b> |

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

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

## 23. PARTICIPATION CERTIFICATES IN PORTFOLIO AND IN CIRCULATION

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

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

None



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

### FINANCIAL ASSETS

#### Investments in Associates

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

#### Affiliates

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

#### Joint ventures

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

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

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



## Provision for diminution in value of financial assets

|   | 31 December 2007 | 31 December 2006 |
|---|------------------|------------------|
| Tursa Sabancı Turizm ve Yatırım İsl. A.Ş. | (14.365.640)     | (14.421.893)     |

## FINANCIAL ASSETS AND INVESTMENTS WITH RISKS ON POLICY HOLDERS

### Securities Available for Sale

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

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

### Securities Held for Trading

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

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

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

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

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

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

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

|  | 31.12.2007<br>TRY | 31.12.2006<br>TRY |
|--|-------------------|-------------------|
| <b>Other Technical Income</b>  |                   |                   |
| Reinsurance Commissions Received                                     | 50.331.648        | 54.046.762        |
| Loss-premium Portfolio Entry/ Withdrawal                             | 5.884.372         | 7.425.258         |
| Accrued Subrogation Receivables                                      | 551.765           | 3.364.093         |
| Other  | 911.415           | 559.658           |
| Total  | 57.679.200        | 65.395.771        |
| <b>Other Expenses and Losses</b>                                     |                   |                   |
| Expensed doubtful agency receivables based on evidence of insolvency | 660.036           | 1.201.513         |
| Others   | 677.366           | 949.131           |
| Total  | 1.337.402         | 2.150.644         |

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

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

## 29. DOUBTFUL RECEIVABLES FROM SHAREHOLDERS, AFFILIATES OR SUBSIDIARIES

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

## 30. DOUBTFUL RECEIVABLES ALREADY DUE OR NOT YET DUE

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

### 31. EQUITY INVESTMENTS

#### Investment in Associates and Affiliates and Joint Ventures

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

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

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

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

### 33. NON-CASH RIGHTS ON IMMOVABLES

There are no non-cash rights on immovable.

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

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

| Year             | TRY           |
|------------------|---------------|
| 31 December 2007 | 1.630.795.831 |
| 31 December 2006 | 949.750.007   |
| 31 December 2005 | 967.741.587   |

### 35. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

#### Foreign Currency Receivables

##### Banks

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

#### Foreign Currency Receivables(Liabilities)

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

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

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

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

**37. PERSONNEL STRUCTURE**

|                 | 31 December 2007 | 31 December 2006 |
|-----------------|------------------|------------------|
| Senior Managers | 6                | 5                |
| Managers        | 259              | 222              |
| Officers        | 311              | 268              |
| Total           | 576              | 495              |

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

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

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

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

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

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

b) Company has clean cut agreements in autho-accident branch. Premium and loss portfolio withdrawals related to these agreements are realized by the Company as of 31 December 2005. Nonetheless, portfolio entries of the agreements whose treaty conditions for the new period are neither confirmed by the reinsurer firms nor finalized as of the balance sheet date are made in 2005. The income realized from the portfolio entries and withdrawals related with the mentioned reinsurers due to the change in the retention rates of the Company in the following period amounts to TRY 8.912.387 and was represented in other technical income in the second half of 2005. These reinsurers have confirmed the new treaty conditions in 2006. Income realized from the portfolio entries of reinsurers that confirmed the treaty conditions as of 31 December 2005 recorded in 2006 is TRY 7.425.258. In the previous years, as an accounting principle, the Company recorded the adjustments related with the

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

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

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

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

|                      | 31 December 2007 | 31 December 2006 |
|----------------------|------------------|------------------|
| Depreciation Expense | 3.105.112        | 2.887.047        |

### 2. Rediscount and provision expense of the period:

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

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

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

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

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

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

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

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

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

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

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

### 7. The total of salary and fringe benefits provided during the year for the executives is TRY 2.145.973 (31 December 2006: TRY 1.499.603).

8. Straight line depreciation method is used for all tangible and intangible fixed assets over their restated values on the pro-rata basis.

**9. Criterion for the distribution of operational expenses:**

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

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

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

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

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

There are no privileged shares (2006:None).

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

None (2006:None).

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

None (2006:None).

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

None (2006:None).

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

None (2006:None).

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

None (2006:None).

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

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

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



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