

**AKSigorta**



**2006**  
Annual Report



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## > AGENDA OF ANNUAL SHAREHOLDERS MEETING

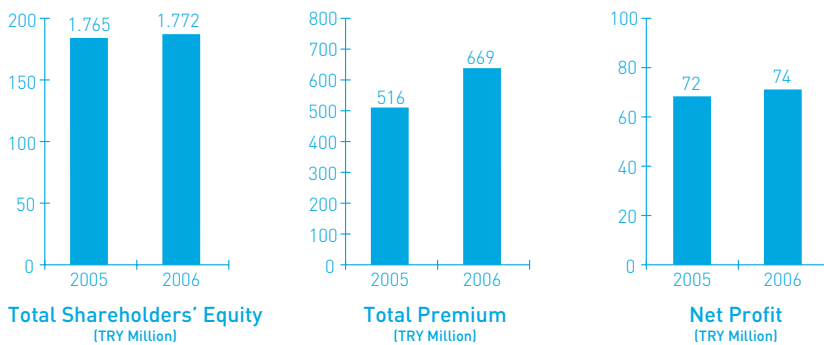
Aksigorta A.Ş., March 27, 2007

Agenda of Annual Shareholders Meeting / Time:11.00 A.M.

- 1 Call to order and nominating the Executive Committee,
- 2 Authorizing the Executive Committee, for signing the minutes of the Board Meeting
- 3 Presentation and discussion of the Board of Directors' Annual Report and Auditor's Reports,
- 4 Presentation, discussion and approval of the Balance Sheet and Profit/Loss Statements and an approval or rejection of the dividend distribution proposal upon deliberation,
- 5 Releasing the Board Members and the Auditors,
- 6 Approval of the appointment until the end of current term of a new member to fill the vacancy on the Board of Directors,
- 7 Ratification of the Board of External Independent Auditors chosen by the Board of Directors
- 8 Authorizing the chairman of the Board and the Board Members to perform transactions set forth in Articles 334 and 335 of the Turkish Commercial Law.

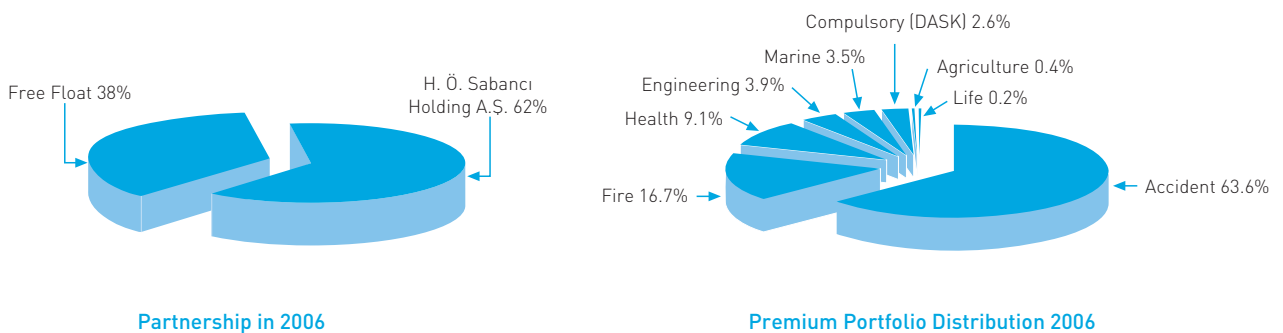
## > FINANCIAL HIGHLIGHTS

As of the end of 2006, Aksigorta is the leading company of the Turkish Insurance Sector with its strong financial structure and shareholders' equity of TRY 1.8 billion. Aksigorta, continuing its sustainable profitable growth, is one of the leading companies of the sector by its total premium generation of TRY 669 million and net income of TRY 74 million.



H. Ö. Sabancı Holding A.Ş. is the main shareholder of Aksigorta with its shares representing 61.98%. Remaining shares representing 38.02% are traded in Istanbul Stock Exchange ("ISE") and international corporate investors hold approximately 83% of the shares kept at Takasbank (ISE Settlement and Custody Bank).

Aksigorta, possessing nationwide experience, regional knowledge and local solutions, is providing high quality service to its customers in all the non-life lines of businesses with its product diversity meeting the requirements of all consumers, be it individual, commercial or corporate through its widespread distribution network.







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## **VISION OF AKSiGORTA**

To be the pioneer and the leading insurance company of Turkey operating at world class standards.

## **MISSION OF AKSiGORTA**

To provide high quality and widespread service to all corporate and individual customers in cooperation with agencies while increasing insurance consciousness in the public.

## **VALUES OF AKSiGORTA**

Customer Focused  
High Service Quality  
Transparency  
Ethical Values  
Long Term Presence

## **QUALITY POLICY**

“In line with our vision, mission and values and by keeping the customer satisfaction at the forefront; to provide high quality service as a powerful, respectable and reliable company of the sector altogether with our agencies, employees and suppliers.”



## > BOARD OF DIRECTORS' REPORT

### Dear Shareholders;

The economic stability environment achieved in the recent years has brought along sustainable growth as well. Successive strong economic growth has caused investors to direct their attention to our country.

If we review 2006 separately, it has been an interesting year in terms of the Turkish economy. We can divide the year into two different periods. During the first period, especially until May, all were on a good run. With the influence of positive expectations caused by the anticipation of onset of negotiations with the EU within the last quarter of 2005, the economic growth has picked up in the first four months. The anticipation of meeting the year-end inflation target has strengthened and within that period foreign investment inflow has been considerably significant.

As a result of turbulent national markets throughout May and June, Turkey had to experience difficulties as it is a country in incessant need of foreign financing with its fast growing economy. Increasing current account deficit, political uncertainties being discussed on a more frequent basis and obstruction in negotiations with the EU have caused the economy to deteriorate. The economic growth slowed down, interest rates got stuck at around 21%, bank credit interest rates went up and personal consumption expenditures decreased considerably and the inflation rate missed the target.

Amid the bottleneck in negotiations with the EU, looming political uncertainties in the shadow of the upcoming elections in 2007 and impact of the crisis in international markets; the Turkish economy continues to grow if not faster, our inflation rate remained in the single digits, and our export increased significantly, foreign direct investments also increased. All these facts show that Turkey is becoming an increasingly more stable and larger market.

2007 is ardently expected to be a good year for the global economy. The Turkish economy shall receive its share out of the favourable developments despite its heavy political agenda. Most economic circles share the same view suggesting that the economy shall continue to grow in 2007, if not faster.

The insurance sector, which holds 1.5% share in the economic scale of Turkey, continues to maintain its growth trend outpacing the economy. It is one of the rare sectors that have the potential to grow at least twice as much the economic growth, despite the structural difficulties, such as loopholes in laws and fierce price-based competition. The sector has maintained its potential in 2006 as well, generating TRY 9.6 billion in premiums.

The insurance sector became the centre of attraction of international investors in 2006. The insurance sector has experienced a consolidation similar to that of the banking sector. Many insurance companies took foreign partners. As of today, 23 out of 46 companies actively operating in the sector have foreign shareholders.

Although the insurance sector in our country grows outpacing the economy every year, the truth is; there is yet much to be done, when compared with similar countries. The headlines such as a young population of 72 million, favourable developments in the economy, low penetration rate, increasing awareness about insurance, vacancy in the field of individual products, new insurance types, the EU adaptation process, increasing interest of the foreigners suffice to explain the growth potential.

The low inflation rate and interest rate environment in the economy along with gradually increasing presence of the foreign companies in the sector, the revenues obtained from the insurance business will gain more importance. The companies shall bring service-based competition to the forefront instead of price-based competition. All these developments indicate that the insurance companies shall focus more on technical profitability, productivity, effective management of the workflow, satisfaction of customers and distribution channels in the coming term.

**We have established a widespread regional organization network by increasing efficiency and power of our regional offices.**

Pension fund system, which significantly contribute both to the domestic economy and capital markets in the developed countries, is proved to be promising with high growth rates obtained, despite

the fact that it is fairly new in our country. According to the year-end data of 2006; 1,060,273 people have participated in the system with 1,128,280 contracts creating a fund of TRY 2.8 billion in total. AkEmeklilik A.Ş., retirement plan company of the Sabancı Group and 99.42% shares of which is held by our company, is one of the key players in this field.

The largest company in the Turkish insurance sector in terms of shareholders' equity of TRY 1.8 billion as of the end 2006, Aksam, has maintained its position in the market as one of the key players with TRY 669 million in generated premiums and TRY 74 million in Net Profits for the period.

Having 38% of its shares traded in Istanbul Stock Exchange ("ISE"), Aksam is included in the ISE National 50 index. The international corporate investors hold approximately 83% of the shares kept at Takasbank (ISE Settlement and Custody Bank).

Committed to providing the highest quality and most widespread services to its corporate and private customers, Aksam markets its products through its 10 regional directorates, 3 regional representative offices and 1.243 independent agents reporting thereto and 688 Akbank branches. Additionally, Aksam A.Ş. delivers 24 hours and 7 days uninterrupted service to its customers in every field of insurance business through "Aksam Service Centre" and its website.

We have revised both the work and the decision processes. We have started the process by changing our centralized management style into regional management. We have positioned the Head Office as the support unit. We have established a widespread regional organization network by increasing efficiency and power of our regional offices. In 2006, we have established a new regional directorate in Antalya to provide service to the Mediterranean Region. We have placed teams of skilled, competently equipped staff capable of taking the initiative if necessary, at our Head Office and 10 regional directorates.

The main distribution network of Aksigorta is its agencies. We have changed our agency composition beginning from 2005. With this approach of ours, we have created a difference in the sector by establishing the “Core Agency” concept. We are all over the country with our competent “Core Agencies”, which are acquainted with their customers, precise in business selection and reflect the company culture and values. We shall continue to support this widespread distribution network as many as 1.243.

Aksigorta continues preferential treatment of its agencies through the “Regional Agencies’ Meetings” and the subsequent “Free Tribunes” held in line with our notion of Agency and Customer Satisfaction.

We also continue to rate our 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 unique in the sector.

One of the other significant distinctions of Aksigorta in the sector is the “Aksigorta Service Centre”. This centre continues to provide support to our customers and agencies and to create solutions almost 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 at many other processes. In addition

to providing 24 hours 7 days uninterrupted insurance services to our customers and agencies through this centre, we continue to create a difference with our services such as Complaint and Request Management, Claim Management and Satisfaction Calls (Happy Call).

**We are all over the country with our competent “Core Agencies”, which are acquainted with their customers, precise in business selection and reflect the company culture and values.**

In the insurance sector, as well as global correctness, local rightness and applications also have significant importance especially in the non-life sector. We are a widespread company with nationwide expertise, regional knowledge and local solutions that keeps its flag flying everywhere and offer any product to everyone. We have all encompassing product diversity that can meet the needs of all types of consumers, be it individual, commercial or corporate.

We have transformed our branch-based technical management approach into a product-based structure through product development units we have established. We have developed package policies inclusive of all types of coverage suitable for customer’s needs. We intended the consumers to be covered against all risks in each product scale under a single policy. Within 2006, the AKKASKO, AKSAĞLIK, AKKONUT, AKİŞYERİ policies have been made available to the customers, as our new package products established based on that intention.

We have also become one of the key players of the sector in the health line of business in a short time since we have started in 2003. Technological infrastructure and human resources investments we have made, along with the projects we have developed and workflow we have revised, have also vastly contributed to this success. We have become the first company to install the “Electronic Medicine Provision System - ECP” at the pharmacies in addition to revising our Health Care products throughout the year in line with the competitive conditions.

In order to provide excellent service for the insured on the claim side of the Operational Efficiency Project, Aksigorta has managed to move all the processes, such as speedy investigation, approval and payment of the claim file that is initiated with the reporting of the damage, onto the electronic environment. Major investments have been made into technologies, such as world class document management and work flow management and we have shifted to management by targets, using measurable performance indicators special to claim process. An electronic work environment has been created over Aksigorta portal by changing the working styles with the experts, contracted services and assistance companies with which we cooperate during this process.

**Aksigorta seized the opportunity to reiterate the importance it ascribes to customer satisfaction by receiving the “2007 Consumer Quality Award” this year after having received the “2006 Consumer Quality Award”.**

For the last two years, Aksigorta is being awarded as “the most trusted insurance company in terms of quality”. Aksigorta is deemed worthy to receive the “Consumer Quality Award” this year, as it was the year before, at the annual “Consumer Summit” traditionally organized by Tüketiciler Dergisi (the “Consumer Magazine”) each year on “March 15,

the World Consumers Day”. Aksigorta seized the opportunity to reiterate the importance it ascribes to customer satisfaction by receiving the “2007 Consumer Quality Award” this year after having received the “2006 Consumer Quality Award”. Aksigorta has received its award at the ceremony held on 15 March 2007, which is the World Consumers Day.

Aksigorta continues to deliver its share with the social consciousness notion. Within the framework of “Investing in Future Project” initiated in 1995, YADEM (the Fire and Earthquake Simulation Centre) 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. Until 31 October, 2006 YADEM was visited by over approximately 42.000 students. YADEM has moved to Şişli Belediyesi Bilim Merkezi (Şişli Municipality Science Centre Foundation) through transfer of right of use as of November 1, 2006, in order to attract more visitors and make it more beneficial. 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 being held among the elementary school students in a selected city. While this contest encourages the young capacities for art and raises awareness in them for fire, earthquake and insurance, it also provides financial support to the students awarded the first three prizes and the school the winner of the contest attends to. The 13<sup>th</sup> annual painting contest which has become a tradition shall be held in Konya in April 2007.

We would like to thank all our shareholders, agents and customers, who have contributed to the realization of our success, for having confidence in us and supporting us and hereby emphasize that we are aware of our responsibility with regard to the increasing continuation of this confidence and support. We hereby thank all our co-workers and retired personnel for their commitment and honest efforts toward the progress of our company and respectfully commemorate our partners and employees, who have passed away.



M. Akın Kozanoğlu  
Chairman

A handwritten signature in black ink, appearing to be 'M. Akın Kozanoğlu'.



İ. Ragıp Yergin  
General Manager

A handwritten signature in black ink, appearing to be 'İ. Ragıp Yergin'.

## > BOARD OF DIRECTORS



M. Akın Kozanoğlu *(Since 09.08.2001)*  
Chairman



Rıdvan K. Yirmibeşoğlu *(Since 15.08.2005)*  
Vice / Chairman



Turgay Özbek *(Since 24.03.2003)*  
Board Member



Haluk Erdoğan *(Since 24.03.2006)*  
Board Member



Burak Tansan *(Since 19.10.2006)*  
Board Member



İ. Ragıp Yergin *(Since 09.08.2001)*  
Board Member and General Manager

## > AUDITORS

Nedim Bozfakioğlu *(Since 01.08.1989)*  
Member

Mevlüt Aydemir *(Since 16.04.2004)*  
Member

> GENERAL MANAGEMENT



İ. Ragıp Yergin *(Since 07.02.2005)*  
General Manager



A. Yeliz Dalaş *(Since 20.02.1995)*  
Asistant General Manager



M. Fatih Kılıslıođlu *(Since 20.05.2002)*  
Asistant General Manager



Çetin Kolukısa *(Since 18.04.2005)*  
Asistant General Manager



Fahri Altıngöz *(Since 01.12.2005)*  
Asistant General Manager



Ender Bıyıklıođlu *(Since 07.08.2006)*  
Asistant General Manager



Ali Dođdu *(Since 12.02.2007)*  
Asistant General Manager

## > MANAGEMENT

### MANAGERS

A. F. İpek Aydın  
Service Centre

Aygül Beyter  
Bankassurance

T. Murat Boğatur  
Fire

H. İnci Can  
Human Resources

Ali Çezik  
Finance & Administrative Affairs

E. Çağatay Çınar  
Health Claims

Mehmet Ermurat  
Financial Reporting & Investor Relations

Ö. Faruk Girer  
Auto Logistics

Haldun İnan  
Claims System

Hakan Kadioğlu  
Agencies

Ali Kuru  
Corporate Relations

Ufuk Mısırlıoğlu  
Agencies Operations & Structuring

Çiğdem Müfettişoğlu  
Project Consultant

Vedat Özkan  
Reinsurance

Murat Özkömürcü  
Casualty & Actuary

A. Ayhan Sağlam  
Engineering & Risk Management

Yücel K. Saltık  
Marine Underwriting & Agriculture

Şebnem Sezer  
Audit

Raif Turhan  
Recourse Claims

Sevtap Tüzün  
System Development

E. Nevra Yener  
Consultant to General Manager

Elif Yücekök  
System Organization



## ASISTANT MANAGERS

Tanju Akyol  
Product Management - Commercial Lines

Serkan Avcı  
System Development

Halit Başkaya  
Health Claims

Yasemin Batıl  
Claims Payment

Serdar Cebesoy  
Casualty & Actuary

Nuriye Çağlayan  
Collection

Hatice Çil  
Financial Reporting

Çiğdem Çöbenek  
Casualty

Esra Demir  
System Organization

Metin Demiray  
Human Resources

Rıfat Doğan  
Agriculture

M. Vedat Durmaz  
Claims

Tolga Gündoğdu  
Agencies - Coordination & Support

Hüseyin Hızal  
Recourse Claims

Canan İbişler  
Health Underwriting

Özcan Köse  
Service Centre

Cem Kuyumcu  
Bankassurance

Murat Küçük  
Product Management - Personal Lines

Yüksel Öter  
Administrative Affairs & Life

I. Muzaffer Öztürk  
Accounting

Metin Özvarna  
Finance

H. Hülya Ünverdi  
System Development

Elçin Yılmaz  
Agencies - Research & Development

## MANAGEMENT REGIONAL OFFICE

### Aksigorta A.Ş. Adana Regional Office

Hüseyin Kanat  
Adana Regional Office Manager  
Engin Yıldırım  
Diyarbakır Representative Office Manager  
Cumhur Apak  
Adana Regional Office Assistant Manager  
Ahmet Aysan  
Adana Regional Office Assistant Manager

### Aksigorta A.Ş. Ankara Regional Office

M. Orhan Apakkan  
Ankara Regional Office Manager  
Levent Alphan  
Ankara Regional Office Assistant Manager  
Okkan Nurikadiođlu  
Ankara Regional Office Assistant Manager

### Aksigorta A.Ş. Mediterranean Regional Office

Süleyman Uçan  
Mediterranean Regional Office Manager  
Volkan Kakaç  
Mediterranean Regional Office Assistant Manager

### Aksigorta A.Ş. Bursa Regional Office

Ş. Murat Özek  
Bursa Regional Office Manager  
M. Hayati Zarifođlu  
Bursa Regional Office Assistant Manager

### Aksigorta A.Ş. Aegean Regional Office

Birol Balaylar  
Aegean Regional Office Manager  
Birsen İlkel  
Aegean Regional Office Assistant Manager  
Barbaros Ünal  
Aegean Regional Office Assistant Manager  
M. Levent Yenertürk  
Aegean Regional Office Assistant Manager

### Aksigorta A.Ş. Black Sea Regional Office

A. Mete Sandalcı  
Black Sea Regional Office Manager  
Yüksel Z. Aydın  
Black Sea Representative Office Manager  
Kemal Ertekin  
Black Sea Regional Office Assistant Manager

### Aksigorta A.Ş. Istanbul 1. Regional Office

Erkan Aydođan  
Istanbul 1. Regional Office Manager  
Hasan Bayata  
Istanbul 1. Regional Office Assistant Manager  
Salih Taşyon  
Istanbul 1. Regional Office Assistant Manager

### Aksigorta A.Ş. Istanbul 2. Regional Office

Süleyman Kara  
Istanbul 2. Regional Office Manager  
M. Bülent Eraltan  
Istanbul 2. Regional Office Assistant Manager  
İ. Sarp Sayarer  
Istanbul 2. Regional Office Assistant Manager

### Aksigorta A.Ş. Istanbul 3. Regional Office

Zafer Şenler  
Istanbul 3. Regional Office Manager  
Hülya Akan  
Istanbul 3. Regional Office Assistant Manager

### Aksigorta A.Ş. Istanbul Corporate Regional Office

A. Nalan Otađ  
Corporate Clients Istanbul Regional Office Manager  
Nurettin B. Araç  
Corporate Clients Istanbul Regional Office Assistant Manager  
İ. Selçuk Pazar  
Corporate Clients Istanbul Regional Office Assistant Manager  
Hasan Sönmez  
Corporate Clients Istanbul Regional Office Assistant Manager  
Cemal Uludađ  
Corporate Clients Istanbul Regional Office Assistant Manager

## > REPORT REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

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

Aksigorta A.Ş., complies with the "Principles of Corporate Governance" published by the Capital Markets Board (Sermaye Piyasası Kurulu - "SPK").

## SECTION I: SHAREHOLDERS

### 2 - Unit for Relations with the Shareholders

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

Mehmet Ermurat, Manager  
 Phone: [0212] 393 45 15  
 Fax: [0212] 334 39 00  
 e-mail: mehmet.ermurat@aksigorta.com.tr

Muzaffer Öztürk, Assistant to Manager  
 Phone: [0212] 393 46 10  
 Fax: [0212] 334 39 00  
 e-mail: muzaffer.ozturk@aksigorta.com.tr

Murat Karaboğa, Specialist  
 Phone: [0212] 393 46 03  
 Fax: [0212] 334 39 00  
 e-mail: murat.karaboga@aksigorta.com.tr

This unit is in charge for conducting the relations with the shareholders. In 2006, within the framework of this task, 68 meetings were held in Turkey, meetings were held with 75 corporate shareholders abroad within the context of 5 road-shows abroad and with 11 corporate shareholders within the context of 1 road-show in Turkey; 100 phone conversations were made with the corporate shareholders and the questions raised were answered; and 65 applications of the shareholders via e-mail were responded.

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

In 2006, a total of 185 requests of the shareholders were received via phone calls, e-mails and vis-à-vis meetings were responded by the Shareholders Unit; for this purpose, the information that would concern the shareholders were announced at the [www.aksigorta.com.tr](http://www.aksigorta.com.tr) address within the mandatory terms for notification. Company's Articles of Association does not stipulate appointment of a private auditor as a right of the shareholders. In 2006, there had not been any requests from the shareholders on this subject.

### 4 - Information Regarding General Assembly

In 2006, one General Assembly Meeting was held. The Ordinary General Assembly Meeting was held on March 24, 2006. Shareholders representing 65.28% 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 General Assembly participation of the registered shareholders recorded at the shareholders' book.

The Annual Report that included the audited 2006 figures as well was submitted to the inspection of the shareholders at the Company's Headquarters at least 16 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 at the website of the company at [www.aksigorta.com.tr](http://www.aksigorta.com.tr) address.

#### **5 - Voting Rights and Minority Rights**

The Articles of Association does not stipulate privileged votes.

In our Articles of Association, there had not been any stipulations on this subject based on the consideration that entitling cumulative voting right in the existing shareholders percentages and shareholders 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**

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 SPK and principles on dividend and bonus shares distribution as stipulated in the meeting of SPK dated 27.01.2006 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 distribution 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.

This information was included in the 2006 Annual Report as a separate section and it is being submitted to the shareholders prior to the General Assembly. In addition, the mentioned Annual Report is submitted to the public use at the [www.aksigorta.com.tr](http://www.aksigorta.com.tr) website.

In 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 - Transfer of Shares**

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 shall be applied. In accordance with the Law on Insurance Control numbered 7397, transfer of the shares that exceed 10% is subject to the approval of the Turkish Republic Prime Ministry, Under-Secretariat of Treasury.

## SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8 - Company Information Policy

Our company observes the information policy in the manner stipulated in the SPK Corporate Governance Principles. In accordance with this policy, financial results of our company regarding the 6<sup>th</sup> month and the 12<sup>th</sup> month financial results independently and externally audited and the 3<sup>rd</sup> month and 9<sup>th</sup> month results not audited independently and externally are being disclosed 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 the public through the Public Disclosure Project (PDP). In addition, our financial statements prepared within the frame of the Law on Insurance Control are being published once a year to inform the investors.

### 9 - Announcements

In 2006, our Company has made a total of 22 particular case explanations, including 2 additional announcements in accordance with the SPK regulations. Among the particular case explanations made to SPK 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 SPK 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 SPK Corporate Governance Principles is included in our website under the title of "Investor Relations".

The subjects addressed 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 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 [www.aksigorta.com.tr](http://www.aksigorta.com.tr) webpage of our company under the title "For Our Agencies", as well as through traditional and regional agent meetings, preliminary and technical trainings organized AS400 messaging system and e-mails.

### 14 - Interest Holders' Participation to 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.

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

### 15 - Human Resources Policy

Our company has established its Human Resources policies and announced them to all the employees. These policies are being 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 behaviour according to these values.

The behavioural 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 programs in the fields which require improvement.

Competencies are grouped under three headings:

#### **Basic efficiencies:**

Being receptive to improvement, focusing on customers, reliability, teamwork, focusing on results.

**Managerial Competency:**

Transparency and undertaking responsibilities, improvement management, decision making, management by targets, to have a vision and change management.

**Technical Competency:**

Behavioural characteristics required for the performance of the business, which can change according to the characteristics of the work.

The competency of transparency and undertaking responsibility is based on ethical values. In this efficiency, it is clearly defined that it is required to behave openly, fairly, and coherently to everyone without making any distinctions based on personal differences. 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.

There is not any representative 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 career development 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 at all times open to the employees.

**16 - Information Regarding Relations with the Customers and Suppliers**

Stimulated by our customer-focused service policy, Aksigorta Service Centre, put into operation in 2002 continues to provide nationwide service on 7 days 24 hours basis. It is the important contact point for the customers concerning insurance and cases of emergency. The claims process starts from Aksigorta Service Centre and Aksigorta Service Centre stands by our customer through the entire claim process by making outgoing calls.

The services provided from Aksigorta Service Centre 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 Centre.

**17 - Social Responsibility**

The Fire and Earthquake Simulation Centre (YADEM) which Aksigorta considers under the scope of social responsibility and regards as investment in the future's grown-up people was established within Istanbul Headquarters in 1995.

So far, the number of students trained at YADEM, which was established for the purpose of teaching earthquake and fire safety to elementary school students has exceeded 42.000. YADEM has started its operations in order to establish consciousness regarding earthquake training even before the earthquake has occupied the agenda of the public as much as today and, earthquake and fire are being demonstrated to elementary school students within the ages of 7-14 through real sound effects with the simulators.

The right of use of the Fire and Earthquake Training Centre has been transferred under a special protocol in November 2006 to the Şişli Belediyesi Bilim Merkezi (Şişli Municipality Science Centre) located in Fulya Beşiktaş and owned by Science Centre Foundation of Turkey, provided that the ownership remains in Aksigorta.

The purpose of this transfer was to enable more children to have this training and to spread this consciousness to wider masses. The fact that 12.000 people have visited the Science Centre only in December 2006 shows that this aim has been achieved.

In addition, also in line with the social responsibility notion, every year Aksigorta organizes a painting contest with the subject of "Fire, Earthquake and Insurance" among the elementary school students in a selected city. With this contest, Aksigorta aims to encourage the young capacities for art, as well as to raise awareness for fire, earthquake and insurance. In 2007, the 13<sup>th</sup> of the traditional painting contest shall be held in Konya.

## 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 (General Manager)

Our Members of the Board of Directors are authorized by General Assembly resolution 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 SPK 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 Legislation numbered 7397 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 the vision and mission of the company and has announced this in writing in its annual report and at the same time, to public through the Internet at [www.aksigorta.com.tr](http://www.aksigorta.com.tr) address.

The Board of Directors, while approving the following year's budget at the year-ends, discusses the strategic targets established by the managers at the same time.

The Board of Directors has a thorough 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

In our company, Risk Management and Internal Control Mechanism have been established as a result of the resolution of the Board of Directors.

In addition, it is obligatory to establish an Internal Supervision Unit with regard to compliance with the Auditing Policies of the Insurance General Directorate of the Treasury.



**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. 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 - Activity Principles of the Board of Directors**

The Board of Directors of our company held a total of 42 meetings during 2006 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 2006, no dissenting opinions against the decisions adopted by the Members of the Board of Directors were delivered.

The actual attendance of the members, except those with 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 SPK Corporate Governance Principles were resolved. Since the Members of the Board of Directors did not raise any questions on these subjects, no questions were 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, there are procedures oriented toward practices. The purpose of establishing these procedures is to ensure that the employees perform their duties in a complete, accurate, and timely manner, and the condition of protecting the company's respectability in their personal relations and private life. The company defines the principles pertaining to the sanctions to be applied to the employees that do not perform their services as required, fail to utilize the authorities granted or cause damage to the company by exceeding their authorizations.

The Ethical Rules of our company were announced to all the company employees under the title of "Discipline Applications Procedure", 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**

Unless a resolution is adopted by the General Assembly to the contrary, there are not any financial rights granted to the Members of the Board of Directors.

## > CAPITAL MOVEMENTS

### Registered Capital

Aksigorta A.Ş. has accepted the registered capital method pursuant to the previous of the law number 2499, and began using this method with permit number 301 dated March 09, 1995 issued by the Capital Markets Board. Aksigorta A.Ş. announced that it has increased its registered capital to TRY 500 million from TRY 150 million in the 6441<sup>st</sup> edition of the Turkish Trade Registry Journal Dated November 29, 2005.

### Issued Capital

Aksigorta A.Ş. has increased its issued capital to TRY 306 million from TRY 153 million after announcing it in the 6506<sup>th</sup> edition of Turkish Trade Registry Journal dated March 06, 2006. TRY 95,166,524 portion of the issued capital increase of TRY 153 million is paid out of the capital gains realized from the sale of participation shares, and remaining TRY 57,833,476 portion out of capital indexation differences and distributed to the shareholders in bonus shares.

### Dividend Rates

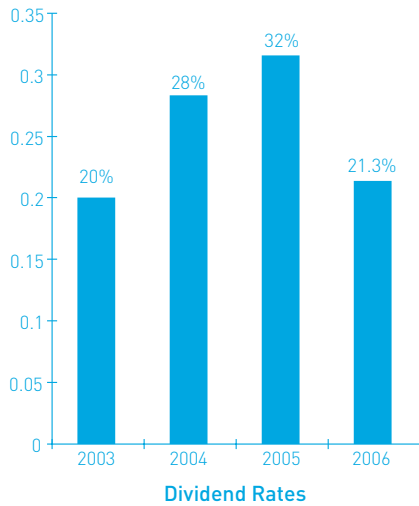
Rates of the dividends distributed to the shareholders over the past four years (portion of the realized net profit distributed to the shareholders) are as follows:

2003 - 20%

2004 - 28%

2005 - 32%

2006 - 21.37%



### Shareholders Holding More than 10% of the Issued Capital

Names, trade names and number of shares held by the shareholders holding more than 10% of the shares of the corporation are listed below:

Shareholders	Share (TRY)	Share
H. Ö. Sabancı Holding	189.658.800	61.98%

### Issued Marketable Securities

Aksigorta A.Ş. has no issued marketable securities as of December 31, 2006.

## > ADMINISTRATIVE ACTIVITIES

Aksigorta A.Ş.'s Management team as of year-end 2006 is;

General Manager:1 Assistant General Manager:5 Regional Manager:10 Manager:25 Assistant Manager:46 Total:87

In 2006, the employment of the staff has shown the following progress:

	Beginning of Term	Commencing Employment	Leaving Employment	End of Term
Number of Personnel	474	105	60	519

In achieving company success, it is important to share with the employees the policies and targets applied in Aksigorta and to orient everyone to the same target with the established policies. In the 5 meetings organized in February and March, both the annual company policies and targets were announced and the suggestions and opinions of the employees regarding practices were obtained through free tribune meetings.

Works on increasing employee satisfaction has been one of the important items of the agenda in 2006. For this purpose, a working life evaluation inquiry has been carried out with TNS-PIAR, results of which were shared with the employees and work committees have been established to launch improvements. The works of the committees shall continue in 2007 as well.

It is important for Aksigorta that the targeted developments and changes are adopted and supported by the employees. Therefore, a necessity analysis was made in order to clarify the human resources applications supporting change and to prepare the required training programs. In accordance with the results of the analysis, personal improvement and technical training programs to be applied in 2007 were prepared.

The behavioural characteristics expected from the employees in direction of the vision, mission and values are announced to all the company employees in the competencies catalogue. All the employees are evaluated with a performance evaluation system based on competencies. In addition, regional performances are being reviewed through meetings held quarterly.

As a result of the organizational changes effected in 2006 in order to improve work processes and to provide more widespread service to customers, number of the employees has been increased. Majority of the increase in the number of employees were realized in the regional directorates that are closer to the customers and agencies. Orientation programs of the new participants to the company are completed, but their trainings are still in progress. With the new changes, as of year-end 2006, 48% of the employees are female and 52% are male. As a result of the employment policy applied in the recent terms, the number of employees of Aksigorta that have undergraduate and graduate degrees has increased to 79.2%.

As of 2006 year-end, the seniority compensation burden of the permanently employed staff that is entitled to seniority compensation is TRY 5.196 thousand.

In addition to the base salary of the company employees, a bonus equivalent to 4 gross monthly salaries, lunch or lunch money are provided and the employees benefit from collective transport. In addition, employees are assured under life insurance and individual accident insurance. Company employees are enjoying health and retirement program within the content of Akbank T.A.Ş. Members Retirement Fund Association. In 2006, approximate cost of one employee was TRY 47.428.

## > DEVELOPMENTS IN THE INSURANCE SECTOR IN TURKEY AND ACROSS THE GLOBE

### **Emerging Market Economies Are Very Favourable with Their High Growth Rate.**

When the developments encountered in the global insurance market in the recent years are reviewed, it can be observed that while the narrowing in the developed markets continue, the insurance sector continues its high growth trend in the emerging market economies despite increasing global interest rates and commodity prices. According to 2005 data, the global insurance sector has registered a 3% growth rate in dollars in real term terms. This growth was mostly due to high growth trend in the emerging economies. While the insurance sector grew by 2.5% in the developed market economies, emerging markets have attained a total growth rate of 7.5%. Emerging markets continue to be the centre of attraction for foreign investment with their high growth rates in the sector. These developments, keep high expectations that this trend shall continue in the coming terms as well while they create significant change in the general outlook of the insurance sector in the emerging markets, including Turkey.

### **Among the Last 20 Years, 2006 Has Produced the Third-Lowest Losses.**

After record natural disaster losses of 2004 and 2005, only three loss events in the billion-dollar range caused by two tornados in USA and a typhoon in Japan in 2006, resulted in 2006 to produce the third-lowest record of losses among the last 20 years, after 1997 and 1998. Major catastrophe losses costing only 15 billion dollars in 2006 will allow property insurers to replenish their depleted risk capitals.

Emerging markets continue to be the centre of attraction for foreign investment with their high growth rates in the sector.

While the correct pricing and precise underwriting applications which started as a result of high claim costs encountered in the past years have continued,

with the effect of low damage frequency rates and costs of the last few years, the increasing insurance profitability trend is continuing as well. The fact that the insurance profitability is increasing parallel to the positive developments in the global economy brings along new capital inflow into the reinsurance markets.

In the recent years, insurance companies prefer to strengthen their capital base by transforming their earned income into capital. In this respect, 2005 was a successful year for insurance companies gathering high level of growth as well as high rates of profitability and strong capital structures. Particularly the high growth potential in the emerging economies continues to grow the appetite of the global insurance groups in line with their new market quests. All these positive atmospheres in the global insurance market continue to have a positive impact on the view of investment banks and rating agencies on the insurance companies.

### **European Union, Single Insurance Market.**

As the insurance sector expands and integrates with foreign markets, services provided in the sector also expand. Particularly in the field of financial services, one of the fundamental priorities of EU has been to create a "Single Market" in the insurance sector. The aim of establishing a Single Insurance Market is to enable consumers to access better products and to establish trust between the insurer and the customer by increasing the competitiveness of the companies.

### **Growth in the Global Insurance Sector Is Sourced by Emerging Economies.**

Global insurance sector data for 2005 (Source: Swiss Re's publication medium Sigma 5/2006) shows that the growth is mainly sourced by high growth in the insurance sectors of emerging markets. While the total premium generation grew by 3% in real terms; non-life sector grew by 0.3% and life insurance

sector grew by 5.1%. Looking at the main source of growth; in the total premium generation, developed markets grew by 2.5% while emerging markets grew by 7.5%. While the premium generation in non-life sector of the developed markets grew by -0.4%, emerging economies grew by 6.3%; these percentages in life insurance sector were respectively 4.6% and 8.4%. Looking at the total premium generation, the premium amount per capita is 514 US Dollars and according to life and non-life sectors generations, they are respectively 298 and 216 US Dollars. While per capita premium (life + non-life) is 3.238 US Dollars in developed economies, this figure is 77 US Dollars in emerging economies. The rate of premium generation to gross domestic product is 7.5% in the generality of the sector, 4.3% in life and 3.2% in non-life. The rates for total premium generation in developed and emerging economies are respectively 8.9% and 3.6%. All these data suffice to explain the attraction of the emerging economies. This attraction will increasingly continue in the coming terms.

**The Turkish Insurance Sector continues developing in terms of premium generation, technological infrastructure, trained staff and service quality, despite the structural difficulties, such as loopholes in laws and fierce price-based competition.**

**Turkish Insurance Sector Was Upgraded to Rank 35 in the World.**

According to the same data, it is observed that the global position of the Turkish Insurance Sector has increased its share in the total premium generation to 0.17% and ascended to rank 35 in the list. Turkish Insurance Sector's share of the gross domestic

product has increased from 1.54% to 1.57% and per capita generated premium increased from 65 US Dollars to 78 US Dollars. These data show that Turkey, having a high growth potential like all these emerging economies, is heading the list of countries closely observed by global companies.

In 2006, there were 26 insurance companies actively operating in elementary lines of business, 11 operating as pension companies and 9 operating only in the field of life insurances. Total shareholders' equity of these 46 insurance companies operating in the insurance sector is TRY 4.8 billion based on their balance sheets dated September 30, 2006.

**Sector Is Growing Outpacing the Economic Growth.**

The Turkish Insurance Sector continues developing in terms of premium generation, technological infrastructure, trained staff and service quality, despite the structural difficulties, such as loopholes in laws and fierce price-based competition. The insurance sector with its trend to grow at least twice as much the Gross Domestic Product growth in real terms in the process of sustainable economic growth, emerged from the short crisis environment suffered by the national economy at the end of the first half of the year almost without being adversely effected and continued to grow and by the year-end increased its total premium generation to TRY 9.6 billion by growing 23%. Looking at the growth rates by lines of business; engineering insurances are leading with 32% growth rate, followed by 23% of health, 22% of accident, 20% of fire, 17% of transportation, 12% of agriculture and 12% of life insurances.

**Insurance Profitability is Decreasing.**

Although the sector had a promising year in terms of premium growth, it is a fact that companies cannot reduce their losses despite all the improvements they implement in terms of profitability. Tight price competition of the recent years and increasing damage costs continue applying pressure on the operational profitability of the sector. Auto insurances, with their share over 50% in the premium generation of the insurance sector on one hand and having a positive impact on growth on the other, continue to have an adverse effect on the insurance profits. In 2006, especially after May, the damage expenditures in the auto line of business increased more rapidly than premium generation and have further drawn down the profitability.

### **Foreign Investors' Attraction to the Sector Continues Increasingly.**

Foreign investors' interest in the Turkish market is increasing every year and the interest of the foreign finance institutions especially to the Turkish finance sector has continued in 2006 as well. Financial services sector has become the sector with the highest transaction volume in mergers and acquisitions with a total of 11.4 billion dollars.

According to the world insurance sector data published in 2006 in the 5<sup>th</sup> issue of Sigma Magazine, Swiss Re's publishing medium, Turkey is ranking 19<sup>th</sup> in terms of economic size whereas it ranks 35<sup>th</sup> according

**It is expected that the competition in the sector shall transform into service-based competition from price-based competition with the influence of the foreign investors and the economic environment with low interest rates.**

to insurance premium size. The Turkish Insurance Sector, although it has considerably lower rates in terms of above specified other scales of insurance sector, continues to attract the attention of foreign investors with its population close to 73 billion.

In the mergers and acquisitions process which began with acquisition of Başak Sigorta and Başak

Emeklilik by Groupama International in the context of privatization at the beginning of 2006; other transactions of significance realized by foreign investors in the sector were acquisitions of Ergo-İsviçre Sigorta, Liberty Mutual Group-Seker Sigorta, HDI International-İhlas Sigorta, Global Equities Management-Emek Hayat Sigorta and Dexia-Global Hayat Sigorta. As of today, 23 out of 46 companies actively operating in the sector have foreign shareholders. The high growth potential of the Turkish Insurance Sector strengthens the expectations that the consolidation shall continue in the coming years as well.

### **Increasing Importance of Efficiency and Customer Satisfaction.**

It is expected that the competition in the sector shall transform into service-based competition from price-based competition with the influence of the foreign investors and the economic environment with low interest rates. In 2006, the sector has taken major steps especially in the hull line of business to keep the prices under control. The companies shall not only focus on sales volume any longer, but also on diversified subjects such as profitability, efficiency, continuity, product management, claims management, sales channel management, contracted service and institution management, new products, EU process, customer and agent satisfaction.

In our country, majority of premium production comes from industrial and commercial risks, whereas sales of individual products are considerably low. It is evident that since the foreign investors entering the sector are mostly companies specialized in individual insurances, the competition in the coming term shall take place mostly in this field and works for sales of individual products shall be emphasized in order to increase both penetration and profitability in the sector. In an environment where the customer expectations are increasing and diversifying to a greater extent, the companies are continuing to make investments in infrastructure in order to analyze their customers better and to meet their expectations in the best way, as well as conducting intensive works regarding the structure and efficiency of their sales channels.

### **Pension Fund System Continues Its Fast Growth.**

Pension fund system, which has significant contribution both to home economy and to the capital markets in the developed countries, has increased its accumulated fund size in Turkey to TRY 2.8 billion from its initiation in 2003 up until year-end of 2006. According to the year-end data of 2006, 1.060.273 persons under 1.128.280 contracts have joined the system which has high hopes for growth, both in terms of its infrastructure and high growth potential.

### **2006 Was Highly Active in Terms of Legal Regulations As Well.**

The leading difficulty within in the problem field hindering the growth potential of the sector is the lack of legal arrangements. In 2006, the sector has considerably moved forward on this subject as well. Certain legal arrangements closely concerning the sector have been implemented.

The Draft Bill on Insurance Business, discussed at the (EU) Adaptation Commission of the Grand National Assembly of Turkey and expected to be become law for long years is restructuring the insurance sector and brings the EU adaptation obligation to the sector. The Draft Bill on Insurance Business shall be brought to the General Council after being discussed at the EU Commission of the Parliament. With this draft, the incorporation, management, working principles, transfer, merger and dissolution, supervision, outcomes of applications of the insurance and reinsurance companies shall be regulated in consideration of the international developments.

The “Regulation on Measuring and Evaluating Capital Adequacy of Insurance and Reassurance and Retirement Companies” activated to ensure that the insurance and reinsurance and retirement companies keep adequate equity to cover their losses that may arise due to their existing and potential risks have become enforceable on March 23, 2006.

In 2006, the most significant development in the field of liability insurances, which shall pick up importance in the coming years particularly in the EU accession process both in terms of premium generation and diversity, was the General Terms and Conditions of Professional Liability Insurance published in the Official Gazette dated March 16, 2006 and numbered 26110 and the “Physician’s Professional Liability Clause” prepared to be provided in attachment to professional liability insurance and published in the Official Gazette dated September 21, 2006 and numbered 26296.

The Regulation On Providing Information in the Insurance Contracts, published in the Official Gazette dated November 28, 2006 dated 26360, aims to stipulate the procedures and principles pertaining to duties and obligations to be performed by the insurer to ensure that the lack of information of people that wish to enter into a certain insurance relation which may arise during the negotiation and execution of the contract pertaining to the subject, coverage and other particularities of the contract are made up and that the people are informed of changes and developments that may effect the policyholder, the insured or the beneficiary with regard to the operation of the insurance which may arise during the validity of the contract. Subparagraph (4) of article 13 of the related Regulation shall become enforceable on July 1, 2007 and the remaining provisions shall become enforceable on June 1, 2007.

### **There Are Many Developments Accelerating Sector’s Growth.**

In the coming term, increasing impact of the new regulations and expected new developments shall accelerate the existing high growth potential of the Turkish Insurance Sector. The efforts to ensure a robust sustainable economic growth in our country, matters that come up in connection with IMF and the negotiations with the European Union are coming to the forefront as the major factors that may accelerate sector’s growth. The impact of the recent legal arrangements in the field of agricultural insurances, new arrangements in liability insurances, developments in mortgage system expected to become operational, complementary health insurances which form part of the social security package and the traffic insurances which are expected to move on to free tariff are on the agenda of the sector as headlines that may accelerate sector’s growth.







## > AKSIGORTA IN THE YEAR 2006

### **Aksigorta Is One of the Leader Companies of the Sector with Its Strong Capital Structure, High Premium Generation and Profitability.**

Aksigorta A.Ş. has continued its leadership position in the non-life insurance sector, through its shareholders' equity consisting of paid in capital, reserves and funds amounting to TRY 1.8 billion as of end of 2006. Aksigorta A.Ş., by its total premium generation of TRY 669 million, has realized income before tax amounting to TRY 79 million, and a net income of TRY 74 million in 2006.

These figures indicate that 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 obtained 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 honour of being a member of a company of such a big scale among the employees, agents and other business partners. Whereas in the eyes of consumers, existence of such a strong company in every aspect which works with precise customer satisfaction contributes to the increase of trust toward the sector.

Aksigorta has successfully put into practice many works in 2006 as well in line with its target of becoming the best preferred insurance trademark by maintaining its profitable growth through being trustworthy, innovative, national trademark and creating distinction in the opinion of its customers and agencies.

**Aksigorta A.Ş. has continued its leadership position in the non-life insurance sector, through its shareholders' equity consisting of paid in capital, reserves and funds amounting to TRY 1.8 billion as of end of 2006.**

### **Aksigorta Is All Over the Country through Its Extensive Regional Structure and Wide Agency Network.**

Aksigorta, in order to provide the highest quality and most widespread service to its corporate and individual clients and to market its products, has a

service and sales network spread throughout the country through its 10 regional directorates and 1.243 independent agents reporting to 3 representative offices and 688 Akbank branches and 36 brokers. In addition, Aksigorta A.Ş. is supporting this widespread network uninterruptedly for 24 hours 7 days through the "Aksigorta Service Centre" and its website. The "Aksigorta Service Centre" and "Aksigorta Website" continue to create distinction and privilege in the sector through the services they provide to customers and agencies both on insurance and non-insurance related subjects. 68% of the 2006 premium generation of Aksigorta was attained through independent agents, 14.3% through bank branches and 17.7% through other production channels.

### **Aksigorta Transformed Its Centralized Management to Regional Management.**

Aksigorta has revised both the work and the decision processes in 2006. The process has been initiated by changing the centralized management style into regional management. The Head Office is positioned as the support unit. A widespread regional organization is established by increasing the efficiency and power of the regional directorates, which are the first contact point of the Company with its customers and agencies. In 2006, a new regional directorate in Antalya is established to provide service to the Mediterranean region. Teams of skilled and competently equipped staff, which are capable of taking the initiative if necessary, were placed at the Head Office and 10 regional directorates. Due to the increased training budget, these staff, agencies and external suppliers went through an extensive training in 2006 oriented toward full application of the new working method.

## **Aksigorta Increases Its Training Budget Each Year in Multiples.**

In addition to the trainings organized for employees for developing technical insurance knowledge, 1.247 persons were trained during 2006 in the training programs organized for improving their personal and managerial skills. The employees were supported on Customer Management, Customer Relations and Communication throughout 2006. Aiming to have better orientation of agencies with regard to sales and to increase their efficiency, extensive training programs were organized during the year for the employees of the Marketing team under "Business Perfection in Sales and Finding an Agency, Establishing a Vision Trainings". In addition, through the intensively attended courses, seminars and conferences on the sector, it is ensured that the employees closely follow the relations and developments in the sector. The technical training programs organized in 2006 were predominantly on accident, fire, transportation, engineering and health lines of business and in addition, trainings were provided on Damage, Auto Logistics and Professional Liability Insurances.

Aksigorta continues to provide support for the improvement of its agencies and other business partners through its extensive training programs to realize correct, appropriate and sufficient training on time as well as to convey, share and spread knowledge and introduce the novelties in the sector. In 2006, 127 trainings were organized for agencies on Basic and Technical Insurance and 2.667 employees have attended these trainings. In addition, throughout the year, special technical trainings were organized in line with the needs of our agencies and requests of the regional directorates on Coverage and Terms and Conditions of Health Products, Agriculture, Collection OVP Claims and Customer Management Screen.

The trainings organized for auto experts working with Aksigorta on Spare Part Supply and Operational Efficiency Project system utilization were attended by 436 experts. The trainings organized for external suppliers on conditions of Akışyeri plus aid service, claims, contracted services and system utilization under the context of Operational Efficiency Project were attended by 165 participants. The trainings organized for Akbank personnel were attended by 1.628 Akbank personnel and trainings for "Aksigorta Service Centre" were attended by a total of 489 service centre employees.

## **Main Distribution Channel of Aksigorta Is the Independent Agencies.**

Although Aksigorta utilizes all the distribution channels of the sector, it receives majority of its premium generation through its agencies. Therefore, most of the efforts spent on distribution channels were used in this channel. The works to change the agency composition beginning from 2005 were completed in 2006. Aksigorta has created a difference in the sector with this approach by establishing the "Core Agency" concept. Aksigorta is all over the country with its competent "Core Agencies", which are acquainted with their customers, precise in business selection and reflect the company culture and values. In line with the changing agency composition, number of medium size agencies was increased and the total number of agencies operating nationwide increased to 1.243. In line with the principle of working more intensively with the medium size agencies, the share of the first fifty agencies in premium generation was decreased from 33% to 27% within the year. Independent agencies were divided into three segments depending on their targeted customer groups: Core Agency, Captive Agency (Corporate Agency) and Automotive Agency. Activities, generations, profitability and efficiency of each segment were followed up and evaluated separately.

### **Aksigorta Continues to Listen to Its Agencies at the “Free Tribunes”.**

Aksigorta continues its preferential treatment of its agencies through the “Regional Agencies’ Meetings” and the subsequent “Free Tribunes” held in line with the notion of Agency and Customer Satisfaction. In these meetings held twice a year in March and September, previous term’s performance, strategies and matters of priority are shared with the agencies and in the “Free Tribune” section, the chance to communicate with them is created by enabling them to state their local problems at first hand and trying to find proposals for solutions all together. In addition, the company policies and practices are reshaped in the light of opinions of the agencies, conduct of uninterrupted and efficient mutual communication is ensured and new synergies are created by grasping the points of joint action. Aksigorta shall continue these practices in the following periods with the same speed.

### **Aksigorta continues its preferential treatment of its agencies through the “Regional Agencies’ Meetings” and the subsequent “Free Tribunes” held in line with the notion of Agency and Customer Satisfaction.**

Aksigorta had the chance to share with its agents the evaluation of developments encountered in the insurance sector and in the company in 2006 and the targets and strategies for 2007 at the “2006 Agents Meeting” held in Cyprus in November 2006 with the participation of the agents from all

over the country. In addition, the new logo of Aksigorta was introduced and the good news that the signboards of all the agencies shall be changed by the first month of 2007 was given in this meeting. During this four-days meeting organization, the Agents found a chance to visit the historical and tourist locations of Cyprus with the company authorities.

In 2006, in line with the new agency segmentation, the “2006 Automotive Agencies Meeting” was held for the first time in Antalya in September with the participation of automotive agencies. In this meeting, cooperation possibilities between the insurance sector and the automotive sector were discussed and in the meetings organized under the direction of the legal counsels regarding the block exemption which closely concern these two sectors, the opportunity to share information on the outcome of the applications was created.

### **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. Aksigorta rates its agencies periodically in terms of criteria such as realization of premium generation targets, technical profitability, collection, coverage, loyalty etc. and reward them by plus (+) commissions based on their performance. In 2005, in line with the expectations and requirements of the sector and Aksigorta, certain changes were made in the rating system and Hull Line of Business Technical Profitability criteria was also included in the system, thus creating a more fair and realistic practice was aimed. This practice changed the working style of the agencies. Before the application of this practice, agencies mostly focused on sales, whereas after this application 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 Centre” Continues to Create Distinction and Privilege in the Sector.**

One of the other significant distinctions of Aksigorta in the sector is the “Aksigorta Service Centre”. The “Aksigorta Service Centre” continues to provide support to its customers and agencies almost 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 centre, Aksigorta continues to create a difference with its services such as Complaint and Request Management, Claim Management and Satisfaction Calls. 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 are continuing on a regular basis.

**The “Aksigorta Service Centre” continues to provide support to its customers and agencies almost 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.**

The phone line capacity of “Aksigorta Service Centre” was doubled to meet the increasing customer demands. IVR in English was put into use and providing service to foreign citizen customers has also started. The “Request Management” application, which enables introducing the agencies to the potential customers that request price quotations from “Aksigorta Service Centre” continues. With this

application, in 2006, 1.895 new customers’ contact information was passed on to our agents and policies were arranged for 115 customers by ensuring call back of the customers within approximately 24 hours. Again with this application, the nearest agent’s information was passed on to 2.704 customers. With the “Request Management” practice, it is ensured that the complaints received through all channels are gathered in a single database and monitored effectively. With regard to customer complaints, the communication between Aksigorta Service Centre/Aksigorta Regional Directorate/Aksigorta Agent/Aksigorta Head Office is realized in an uninterrupted manner and returning to customers within 24 hours is ensured.

In addition, collection search through “Aksigorta Service Centre” in all payment types for branch policies under the bank project has started. In 2006, SMS application reminding traffic policy renewals of the independent agencies has started for supporting agency premium generation.

Internet website of Aksigorta, with its approximately 77.000 visitors monthly, continues to be an important communication channel whereby the customers can follow-up their transactions without having to call Aksigorta Service Centre, if they prefer so. Aksigorta Portal was launched in 2006 in order to increase the communication between the agencies, experts and suppliers and to enable single point of access to corporate applications.

#### **Aksigorta Is a Widespread Company Keeping Its Flag Flying Everywhere and Offering Any Product to Everyone.**

Aksigorta, as a widespread company with nationwide expertise, regional knowledge and local solutions that keeps its flag flying everywhere, continues its operations in the sector with encompassing product diversity that can meet the needs of all types of consumers, be it individual, commercial or corporate.

Aksigorta has transformed its branch-based technical management approach into a product-based structure. For this purpose, Product Development/Management Department was established within the year. In the changing competition conditions, it is required to conduct a more detailed follow-up and analysis of technical results, product profitability, suitability of the products sold with a marketing view to the market conditions. Therefore, the technical organization structure of Aksigorta has been reorganized to be managed by product groups under the responsibility of the Product Managers, instead of management by lines of businesses.

### **In Aksigorta There Is “Assurance Against All Types of Risks under a Single Policy”.**

Within 2006, Aksigorta has developed very comprehensive package policies with high coverage limits which are highly competitive and suitable for customer needs. The intention behind this application was to have the consumers covered against all risks in each product scale under a single policy and to pay to the insured all damages fully, from the tiniest to the highest, under a single policy. Within 2006, the AKKASKO, AKKONUT, AKİŞYERİ, AKSAĞLIK, policies have been made available to the customers, as our new package products established in line with that intention.

**Within 2006, Aksigorta has developed very comprehensive package policies with high coverage limits. The intention behind this application was to have the consumers covered against all risks in each product scale under a single policy and to pay to the insured all damages fully, from the tiniest to the highest, under a single policy.**

Before 2006, Aksigorta was providing two types of policies to its customers having two different coverage in each of the motor own damage and property insurances; from 2006 onwards it has put out to the market AKKASKO and AKKONUT package policies in line with the concept of “assurance against all types of risks under single policy”. It is aimed to have a competitive advantage in the market by combining all the characteristics of both insurance types that can respond to all the

needs of the consumers in a very comprehensive single policy with high coverage limit without confusing the consumers.

Customer based information centres were established for each line of business and customer based pricing was initiated. The database facilitating many opportunities in screening from brief information on Claim/Premium rates, premium volumes of the past 4 years of each customer to individual policy and claims files has enabled the underwriters to effectuate flexible pricing in terms of customers. On the other hand, this database provides the opportunity for the agencies to easily monitor their customers and the technical results of the customer groups they have formed.

The application of in-depth pricing based on types initiated in 2005 for private automobiles has also been initiated for light commercial pickups since September 2006. This system contributes positively to the expansion of customer base by facilitating easier risk preferences and pricing opportunities for Aksigorta.

In order to take more shares in the premium generation obtained from the automotive sector, certain project based works were conducted in 2006 with various automotive companies. In line with this purpose, as a result of the works conducted with Toyota and Peugeot companies, the share of these brands in the Aksigorta hull portfolio has been increased in considerable ratios.

In the traffic line of business, which is among the mandatory insurances, through the “Plus Product” product developed by Aksigorta in 2006, the existing coverage limits were increased and the product is rendered more competitive by adding on new coverage and aid services. The extended auto liability insurances securing heavier responsibilities brought by the legal system improved due to through the EU adaptation process were put at the service of the Aksigorta customers from March onwards. This product, providing more assurance to customers also means more income for our agencies. The share of the “Plus Traffic” product in the traffic portfolio increases more and more.

### **Within Three Years, Aksigorta Became One of the Key Players of the Sector in Health Insurances As Well.**

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 in 2003. This current level was achieved through the developed projects and

revised work processes as well as the investments made in technological infrastructure and human resources for three years. Aksigorta has revised its health care products throughout the year in line with the changing competitive conditions and developing customer expectations. The best infrastructure of the sector in provision transactions, which is one of the most important services in the health insurances, such as POS, IVR, Internet and Health Call Centre, has been established by utilizing high technologies. Aksigorta has continued its innovative and pioneer status in the sector by being the first company to install the "Electronic Medicine Provision System - ECP" at the pharmacies. In 2006, at the existing point reached in the health line of business, "Directorate for Contracted Institution Management" has been established in order to lessen the claim costs and proactively manage the contracted service network which has expanded in parallel to the increasing number of customers. Within the frame of contracted institution network optimization works, number of contracted health institutions has been increased to 1.705 based on the number of health insurance policyholders and geographical distribution of the insured. Within the context of agreements executed with contracted health institutions, Aksigorta stands by the side and at the service of the insured through its contracted physician networks consisting of 155 physicians specialized in their branches, as well as 228 hospitals, 295 policlinics, 206 diagnosis centres, 775 pharmacies, 46 physiotherapy and rehabilitation centres providing services in 55 cities throughout Turkey.

#### **Aksigorta Rapidly Takes Its Place in the New Product Segments.**

Aksigorta, in the direction of the new arrangements particularly brought to the legislation within the framework of EU adaptation works decided to manage the liability line of business separately and established the Liability Insurances Department within the year. Aksigorta, made a principle of providing solutions to the liability risks of its corporate customers to which it provides services in all fields of risk and plans to establish a profitable portfolio in liability line of business as well and to ensure a balanced growth. Nonetheless, operation permit has been obtained from the Treasury Under-secretariat of Turkish Republic on August 28, 2006 in order to operate in the Loan Insurances line of business for the purpose of minimizing receivables risks complementary to financial services provided by the banks and generating effective transfer methods to all risks of its corporate customers subject to insurance. Aksigorta, currently providing solutions for domestic and export loan risks of its customers, plans to establish a profitable portfolio by expanding its activities in the Loan line of business in the coming term.

#### **Aksigorta Continues to Increase the Trust in the Sector by Showing the Companies the Risks They May Encounter and the Solutions Thereof.**

Aksigorta, being a company putting great importance on risk analysis, has established an internal Risk Management Directorate. Aksigorta, through this directorate, tries to provide the coverage required by the companies by doing a good risk analysis as well as enabling the companies to have a more secured firm and consequently become an operation undertaking less risks by laying before the firms the measures that need to be taken by the firms with regard to their operation in terms of insurance. In 2006, Aksigorta Risk Management Directorate has continued its works in increasing efficiency to establish the basis for more effective control and pricing of the risks that are secured under the company portfolio or shall be included in the portfolio. Effective risk control is realized 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 or shall be newly added to the portfolio. While Aksigorta introduces insurance to many companies under these works, it has also shown many risks to the companies of which they were not aware. In order to have more effective and widespread risk management works in the coming years, projects on structuring of risk management at the regional directorates are initiated.

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

Aksigorta has initiated a restructuring project in 2005 under the title of "Operational Efficiency Project" in order to bring the service quality and customer satisfaction to the highest level with a customer oriented approach and to become a company "providing services at world class standards", to be able to further increase its existing competitiveness in the changing environment of Turkey and the insurance sector and to render it sustainable. In this respect, the Bankassurance projects have been implemented in 2006 with success and the claims projects are starting to be implemented. Projects on other fields such as collection shall be launched within 2007.

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In 2006, Aksigorta has started to launch a large-scale reorganization oriented toward improvement of claim processes and achievement of effective claims management. 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 an entirely electronic work environment has been created over Aksigorta portal by significant changes in the working styles between the parties such as contracted services, experts, and assistance companies. Through this process, major investments have been made into technologies, such as world class document management and workflow management and Aksigorta has shifted to management by targets, using measurable performance indicators particular to claim process.

One of the most important targets of the project is undoubtedly the claims management. The most important factor of the project, to ensure more efficient claims management and increase technical profitability, is specialization. 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, workflow applications and Aksigorta portal and the processes has been significantly shortened,
- Certain works have been completely eliminated and processes have been shortened by ensuring that the parties of the work take a part in the document management and workflow management,
- Service quality is increased and efficiency is ensured by enabling the insured, distribution channels and all the parties of the work 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 agency relations management rather than operations.



### **Aksigorta Increases Customer Satisfaction and Ensures Effective Claim Management and Control through Its Extensively Contracted Service Network.**

Aksigorta has continued the works on expanding contracted services, increasing their rate of use and decreasing costs in the positive direction. Number of contracted services was increased to 986 compared to 543 at year-end of 2005 and the rate of use reached 45%. Costs were taken under control and traffic claims are also put under contract coverage.

Contracted glass application has continued by increasing the number of contracted glass firms and number of dealers. Rate of use increased to 84% in 2006 compared to 60% in 2005.

Through the contracts executed within the context of plastic and aluminium spare parts repair, it was ensured that certain spare parts that need to be changed are repaired and thus 75% benefit was obtained on the average compared to spare part price. In addition, directing the services toward spare part repair without leading them to contracted firms also contributed to cutback of costs.

An additional agreement was executed by one of the firms we work together in spare part repair for the application of Mini Repair coverage provided within the context of motor own damage policy and in addition to reducing costs, no-claim discount was also maintained by exercising repairs in many small damages without opening up a claim file.

While using radio/tape recorder contracted services application rate was 10% in 2005, it has increased to 75% in 2006.

One of the important projects initiated in 2006 was Spare Part Supply application. The application which started in Istanbul in February was expanded in a short term and service is provided in 40 cities in 35 brands through 125 suppliers in 24 city centres. In this application, it is ensured that discount is obtained not only in supplied spare parts but also in every claim suitable for supply.

One of the other important projects initiated in 2006 was the new application in pert vehicles. As a result of an agreement executed with a new company, the claims processes have been speeded up, recovery income calculation has been standardized and customer satisfaction has been achieved.

The number of all our contracted partners in damage repair, including contracted services, suppliers, glass dealers and mini repair reached 1.650 and various services are provided in 81 cities in 88 brands.

Spare parts supply works are made with the Supply Module under the Auto Analysis. All the damages subject to supply are determined automatically and the experts are warned through the system at report production stage. This way, the system can be utilized with high efficiency.

Field Control works which focus on the follow-up/control of the damage repairs and technical issues regarding to damages have been extended on regional basis through employment of new personnel.

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

Aksigorta, being the first company to initiate significant investments to widespread insurance sales through bank channel and to increase its effectiveness under the Bankassurance Project in 1998, continues its investments in this field with the same speed.

Within the content of Bankassurance projects, a model has been successfully launched in which Akbank branches, constituting one of the important distribution channels of Aksigorta, can sell the Aksigorta

products packaged simply and specifically for this channel to the bank's customer base in the easiest manner. Akbank branches have completely integrated Aksigorta policies with its banking products and policies have become easily procured to customers through banking systems.

One other innovation is the improvement effected in the renewal operation of bank policies. As a result of these improvements, the bank has achieved a growth of 71% in the generation of renewal policies compared to the previous year. The rate of successfully keeping the customers in renewals went up to 70%. Aksigorta shall launch different projects in 2007 to penetrate Akbank customer base and to specialize on the existing customers.

#### **Aksigorta Continues Its Information Technologies Projects and Infrastructure Renovation Works.**

Aksigorta has continued information technologies projects and infrastructure renewal works in 2006 as well in order to increase customer-focused service quality, to achieve utmost customer and agency satisfaction, to become the leader of the sector by increasing its existing competitive power in the changing environment of Turkey and the insurance sector. In this direction, Aksigorta has adopted a

**Aksigorta has adopted a decision in 2006 to change the Information Technologies infrastructure and to move to a new elementary insurance package. As a result of the extensive researches conducted during the year, the works of the project called "Active07" in cooperation with the agreed company were initiated in the last quarter of the year and it is planned to launch the project in the second half of 2007.**

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The project of integrating Akgüvence (Assurance) screens with the banking software used by Akbank,

the Akrobat program, which was initiated in 2005 in order to increase the efficiency of Akbank branch employees, was launched in March 2006 due to the joint works of Akbank and Aksigorta.

First and second phases of the information technologies projects under Operational Efficiency Project were launched. Through these, it is ensured that notice receipts and document follow-ups in claims transactions can be made in the electronic environment until the claim inspection entry through the new screens designed within the context of the project. Testing works have started for the third phase of the project which covers the operation processes starting from claim file inspection to providing the claim date.

In 2006, it was planned to establish a new Information Technologies Work Follow-up System which would contribute to the Information Technologies work force planning, workflow management and service quality through keeping all the notices made by the work units to the Information Technologies unit under record and enabling follow-up of these records and processes pertaining to such records. This project was put into application at the year-end following the performance of the required analysis and researches conducted during the year.

Aksigorta Portal Project was launched for the purposes of increasing communication between the work units, agencies and suppliers and enabling access to corporate applications from a single point.

Other project put into practice by the information technologies in 2006 are as follows:

- The required infrastructure for monitoring customers under a single customer number was put into application.
- Pharmacy Provision System was purchased and put into service to be used in health applications.
- Automatic Renewal and Collective Printing Project has been put into service for the purpose of automating the renewals of bank coded loan policies and to prevent omissions in policies whose renewals are due and communicating with customers on time.

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

Within the framework of the joint project carried out with TNS-PIAR since 2001, the service quality provided to customers of Aksigorta and competitor companies through their agents are evaluated within the perspective of various elements. It is aimed to improve the service quality under the guidance of the outcome of the evaluation. Within the context of the research completed at the end of 2005; satisfaction levels and expectations of agents, individual and commercial customers were obtained and significant increase has been achieved on every subject of importance compared to 2004. Aksigorta initiated changes in its policy design and technological infrastructure in line with the expectations revealed by the results of 2005 surveys conducted by TNS-PIAR company within the context of works focused on Agency and Customer Satisfaction.

#### **Aksigorta Is Awarded “The Most Trusted Insurance Company in Terms of Quality” for the Last Two 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 two years as a result of the research conducted by Tüketici Dergisi 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” this year, as the year before. Aksigorta seized the opportunity to reiterate the importance it ascribes to customer satisfaction by receiving the “2007 Consumer Quality Award” this year after having received the “2006 Consumer Quality Award”. Aksigorta has received its award at the ceremony held on 15 March 2007, which is the World Consumers Day.

#### **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, YADEM (the Fire and Earthquake Simulation Centre) 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 until 31 October 2006 YADEM was visited by over approximately 42.000 students. YADEM has started its operations in order to establish consciousness in earthquake training even before earthquake has occupied the agenda of the public as much as today, and earthquake and fire are being demonstrated to our youngsters in YADEM through real sound effects with the simulators. This centre (YADEM), being the first and only in Turkey and among only a handful around the world has moved to Şişli Belediyesi Bilim Merkezi (Şişli Municipality Science Centre Foundation) through transfer of right of use as of November 1, 2006 in order to attract more visitors and make it more beneficial. Therefore, it was ensured that larger masses benefit from YADEM.

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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 capacities for art and raises awareness in them for fire, earthquake and insurance, it also provides financial support to the students awarded the first three prizes and the school the winner of the contest attends to. The 13<sup>th</sup> annual painting contest which has become a tradition shall be held in Konya in April 2007.

Aksigorta has continued supporting art in 2006 within the frame of Akbank Culture and Art Events by insuring the dancers of Zeynep Tanbay Dance Group under Individual Accident Insurance General Terms and Conditions against treatment expenses and required physiotherapy expenses due to injuries they may encounter during rehearsals and shows.

Aksigorta has established quality assurance system by taking ISO 9001:1994 Standard as a model and has received BS EN 9001:1994 Quality Standard Certificate from BVQI (Bureau Veritas Quality International) in 1998. Aksigorta has renewed its quality certificate on July 12, 2001 conforming with ISO 9001:2000 Quality Management Standard and in September 22, 2004, it has ensured the continuity of this certificate until July 02, 2007.

Aksigorta has continued its assertion of being the pioneer and leader insurance company of Turkey that operates at world-class standards in 2006 as well.

Aksigorta A.Ş. exercises due care to provide true 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 Istanbul Stock Exchange.

All the accounts and transactions of Aksigorta are being audited by independent and foreign auditing companies of international qualification since 1977.

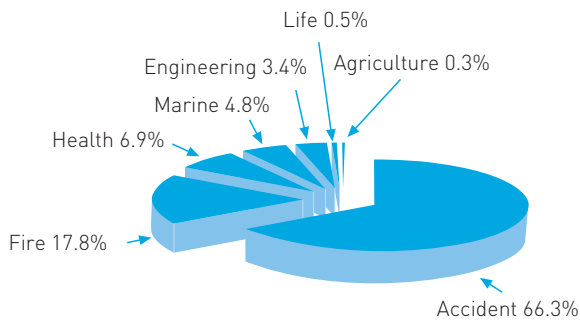
In addition to the Turkish and English versions of the audit report, the report on the year-end balance sheet and profit/loss statements prepared by the Independent Auditing Firm Denetim Serbest Mali Müşavirlik Anonim Şirketi (a member of Deloitte Touche Tohmatsu) are being published within the Board of Directors' Report.

## > RESULTS OF AKSIGORTA'S ACTIVITIES

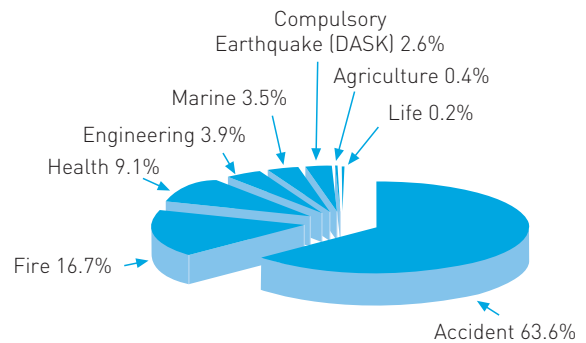
Aksigorta A.Ş. has continued its leader and pioneer position in Turkish insurance sector according to main performance criteria like, growth, profitability, corporate value and customer satisfaction. In addition Aksigorta A.Ş. is the most experienced company that creates profit from both financial investments and insurance business.

In 2006, Aksigorta's total premium production reached to TRY 669 million from TRY 516 million, with increase of 29.5%. The distribution of premium production per branches is as follows:

(TRY Thousand)	Premiums Written			Distribution (%)	
	2005	2006	Growth (%)	2005	2006
Fire	91,807	111,985	22.0%	17.8%	16.7%
Compulsory Earthquake (DASK)		17,287	0.0%	0.0%	2.6%
Marine	24,608	23,381	-5.0%	4.8%	3.5%
Accident	342,482	425,565	24.3%	66.3%	63.6%
Engineering	17,756	25,748	45.0%	3.4%	3.9%
Health	35,384	60,720	71.6%	6.9%	9.1%
Agriculture	1,337	2,486	85.9%	0.3%	0.4%
Life	3,044	1,553	-49.0%	0.6%	0.2%
General Total	516,417	668,725	29.5%	100.0%	100.0%



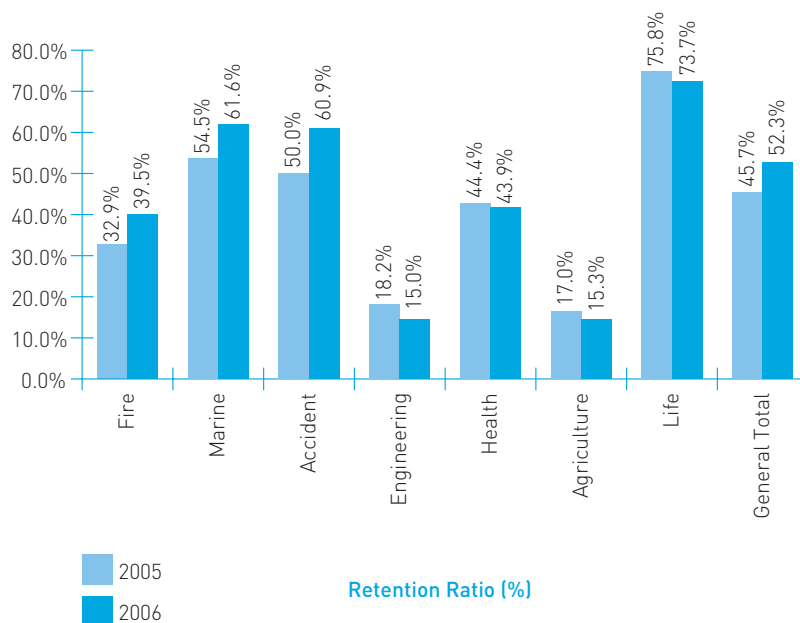
Premium Portfolio Distribution 2005



Premium Portfolio Distribution 2006

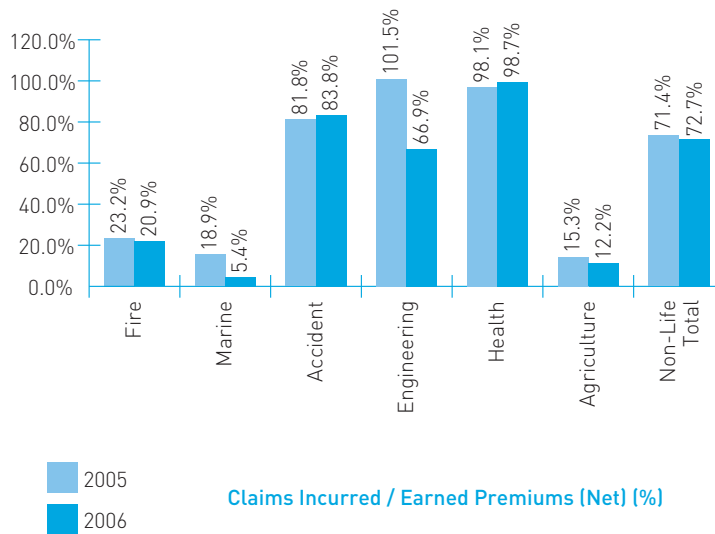
At the end of 2006, 47.7% of premiums written was ceded to treaty and facultative reinsurers, 52.3% (TRY 349.835 thousand) was retained. The distribution of the amount in retention premiums and the retention ratios by branches is as follows:

(TRY Thousand)	Retention Premiums		Retention Ratio (%)	
	2005	2006	2005	2006
Fire	30,187	44,287	32.9%	39.5%
Marine	13,414	14,407	54.5%	61.6%
Accident	171,171	259,109	50.0%	60.9%
Engineering	3,231	3,875	18.2%	15.0%
Health	15,698	26,631	44.4%	43.9%
Agriculture	227	381	17.0%	15.3%
Life	2,306	1,145	75.8%	73.7%
General Total	236,234	349,835	45.7%	52.3%



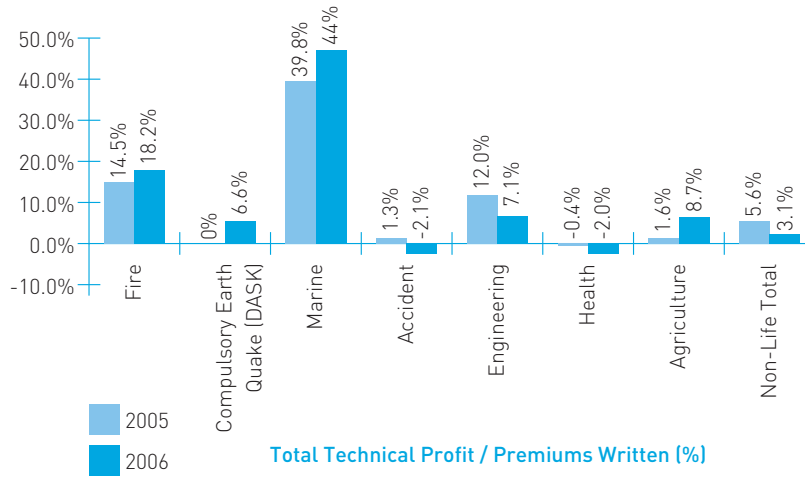
Aksigorta retained TRY 311.664 thousand earned premiums (net) in non-life branches as of 2006. On the other hand, the total claims incurred (net) in non-life branches as of 2006 was realized as TRY 226.445 thousand. As a result Claims Incurred (net) / Earned Premiums (net) ratio, in non-life branches is realized as 72.7%. The distribution of these data by branches is as follows:

(TRY Thousand)	Claims Incurred (Net)		Earned Premiums (Net)		Claims Incurred/ Earned Premiums (Net) (%)	
	2005	2006	2005	2006	2005	2006
Fire	6,391	8,790	27,520	42,075	23.2%	20.9%
Marine	2,575	770	13,623	14,200	18.9%	5.4%
Accident	126,308	189,866	154,329	226,647	81.8%	83.8%
Engineering	3,248	2,238	3,199	3,344	101.5%	66.9%
Health	12,558	24,740	12,795	25,062	98.1%	98.7%
Agriculture	32	41	213	336	15.3%	12.2%
Non-Life General Total	151,112	226,445	211,679	311,664	71.4%	72.7%



With the new insurance accounting plan in 2005, the profit from insurance activities started to be evaluated under Total Technical Profit. In this direction, Aksigorta's Total Technical Profit as of the year end 2006 was realized as TRY 20.955 thousand. The distribution of Total Technical Profit by branches is as follows:

(TRY Thousand)	Total Technical Profit		Total Technical Profit / Premiums Written (%)	
	2005	2006	2005	2006
Fire	13,285	20,389	14.5%	18.2%
Compulsory Earthquake (DASK)	0	1,141	0.0%	6.6%
Marine	9,784	10,287	39.8%	44.0%
Accident	4,344	-9,078	1.3%	-2.1%
Engineering	2,127	1,838	12.0%	7.1%
Health	-129	-1,211	-0.4%	-2.0%
Agriculture	22	207	1.6%	8.7%
Life	-534	-2,618	-17.5%	-168.6%
General Total	28,899	20,955	5.6%	3.1%



Aksigorta A.Ş. got TRY 98.865 thousand investment income apart from the technical income coming from the insurance business. The distribution of investment income is as follows (TRY thousand):

Dividend Income from Participations	: 59.256
Income from Financial Investments	: 31.687
Foreign Exchange Gains	: 7.488
Real Estate Income	: 318
Other Income	: 116
<b>Total Investment Income</b>	<b>: 98.865</b>



As a result of these technical and financial figures, Aksigorta's Profit Before Tax was realized as TRY 79.251 thousand and Net Profit After Tax was realized as TRY 74.184 thousand.

Aksigorta's Total Shareholders Equity is TRY 1.772.084 thousand as of 2006 year end. The distribution of Total Shareholder's Equity as of 2006 year end is as follows (TRY thousand):

Paid in Capital	:	434.339
Nominal Capital	:	306.000
Capital Indexation Differences	:	128.339
Profit and Capital Reserves	:	1.258.468
Previous Years' Profit	:	5.093
Net Profit of the Period	:	74.184
<b>Total Shareholders Equity</b>	:	<b>1.772.084</b>

The distribution of main investments of Aksigorta A.Ş. as of 2006 year end is as follows (TRY thousand):

Financial Assets and Investment with	
Risk on Policy Holders	: 67.823
Affiliates	: 1.572.155
Properties	: 48.643
<b>Total Investments</b>	<b>: 1.688.621</b>

As the end of the 2006, actual market value of participations of Aksigorta is TRY 1.572.155 thousand, these participations are listed below:

Akbank T.A.Ş.
Ak Emeklilik A.Ş.
Çimsa
Dönkasan
Ak Finansal Kiralama A.Ş.
Yünsa
Tursa Sabancı Turizm ve Yatırım İşl. A.Ş.
Temsa
Akçansa Çimento
Ak Yatırım Menkul Değerler A.Ş.

Aksigorta's profit distribution table summary as of 2006 year end is as follows:

(TRY Thousand)	Profit Distribution	
	2005	2006
Profit Before Tax	84.188	79.251
Taxes Provisions	11.940	5.067
Net Profit after Tax	72.248	74.184
First Legal Reserve	3.612	3.709
Net Distributable Profit	68.636	70.475
Second Legal Reserve	4.131	5.010
Distributed Dividend	48.960	65.400
Net Distributed Dividend	48.960	65.400
Earnings Per Share	0.320	0.213
Distribution Rate	32.00%	21.3%

## > AUDIT REPORT

Aksigorta A.Ş. The Presidency of Annual Ordinary General Assembly,

Partnership's; Name: Aksigorta A.Ş.  
Head Office: Meclis-i Mebusan Cad. No:147 34427 Fındıklı / İstanbul  
Capital: TRY 306.000.000  
Occupation: Insurance

The names and the chargement periods of the auditors, if they are partners or employee of the company.	Nedim Bozfakıoğlu and Mevlüt Aydemir. We are in charge for 3 years and not personnel from the company:
Number of attendance to the Board Meetings and the Number of Auditing Committee Meetings done:	Attended 4 times to the Board meetings and 6 Auditing Committee Meetings have been done.
Contents of inspection on partnership accounts, book and documents, the dates of the audits and the results:	According to Tax Legislations and Turkish Commercial Code, audits were done at the first weeks of 3 <sup>rd</sup> , 6 <sup>th</sup> , 9 <sup>th</sup> , 12 <sup>th</sup> months and nothing irrelevant was notified.
According to Turkish Commercial Code, item 353. 1/3 the number of countings of cash teller and the results:	The content of the cash teller was counted 6 times and found that the existing amount was in accordance with records.
According to Turkish Commercial Code, item 353. 1/3 the inspection dates and the results:	During the controls of first working days of each month, it is found that the existing negotiable securities were in accordance with records.
Any complaints and improprieties arised and the measurer taken:	No complaints were noticed.

We have audited the accounts and the transactions of AKSİGORTA A.Ş. for the period of 1.1.2006 - 31.12.2006 according to the Provisions of Turkish Commercial Law and the Article of Association and Generally Accepted Accounting Principles and Standards.

From our point of view, the accompanying balance sheet as of 31.12.2006 reflects the financial position of the mentioned date and the income statement for 01.01.2006 - 31.12.2006 period reflects the results of activities actually and correctly and the profit distribution proposal is in accordance with the laws and the Article of Association.

We hereby present the balance sheet and Profit / Loss Statement to be approved and kindly ask to sanction the actions and decisions of the Management Council by your respectful votes.

Date: 09.03.2007

Auditor  
Nedim Bozfakıoğlu



Auditor  
Mevlüt Aydemir



## > DISTRIBUTION OF PROFIT

Dear Shareholders,

We hereby suppose and request you,

To approve the balance sheet with the profit and loss accounts of 2006 which were presented to your kind attention and sanction the actions and decisions of the Board of Directors and Auditors in accordance with this year's activities and accounts,

To set aside gross TRY 79.251.218 for dividend to shareholders after deducting legal liabilities and necessary assignments to the Turkish Commercial Code and Status Rules from the profit of TRY 65.400.000 which is the result of our activities during 2006, and to allocate the rest as extraordinary reserves.

Wishing that 2007 will be more successful and brighter for our country, company, shareholders and personnel, we remain respectfully yours.

Chairman of the Board  
M. Akın Kozanođlu







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> AKSIGORTA ANONİM ŐİRKETİ  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2006


## AKSIGORTA ANONİM ŞİRKETİ

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

1. We have audited the accompanying balance sheet of Aksigorta Anonim Şirketi (the "Company") as of 31 December 2006 and the related statement of income for the year then ended. These financial statements are the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on these financial statements based on our audits.
2. According to the article 50 (a) of the Capital Market Law (VII.), insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting. Therefore, the Company's financial statements are prepared according to the prevailing Insurance Auditing Law No: 7397 applicable to insurance and reinsurance companies and principles stated in Note 11.
3. We conducted our audit in accordance with the Law No. 7397 of the Turkish Insurance Auditing and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Aksigorta A.Ş. as of 31 December 2006, and the result of its operations in accordance with the Law No. 7397 of the Turkish Insurance Auditing and accounting principles stated in Note 11.

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

Member of **DELOITTE TOUCHE TOHMATSU**



Sibel Türker  
Partner

İstanbul, 7 March 2007

#### Additional paragraph for English translation:

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

# AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET

ASSETS		TRY	
1- Current Assets	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
<b>A- Cash and Cash Equivalents</b>		<b>152,869,536</b>	<b>196,908,035</b>
1- Cash		730	11,167
2- Cheques Received		0	0
3- Banks	35	156,240,505	200,914,130
4- Cheques Given and Payment Orders (-)		(3,371,699)	(4,017,262)
5- Other Cash and Cash Equivalents		0	0
<b>B- Financial Assets and Investments with Risks on Policyholders</b>		<b>67,823,395</b>	<b>122,592,756</b>
1- Securities Available for Sale		30,023,498	79,386,017
2- Securities Held to Maturity		0	0
3- Securities Held for Trading		23,485,717	20,242,070
4- Loans		0	0
5- Provision for Loans (-)		0	0
6- Investments with Risks on Policyholders		14,314,180	22,964,669
7- Equity Shares		0	0
8- Diminution in Value of Financial Securities (-)		0	0
<b>C- Receivables From Main Operations</b>		<b>253,493,078</b>	<b>213,221,592</b>
1- Receivables From Insurance Operations		256,635,859	215,858,097
2- Provision for Receivables From Insurance Operations (-)	30	(6,864,460)	(5,771,448)
3- Receivables From Reinsurance Operations		0	0
4- Provision for Receivables From Reinsurance Operations (-)		0	0
5- Cash Deposited For Insurance & Reinsurance Companies		27,139	27,562
6- Loans to Policyholders		0	0
7- Provision for Loans to Policyholders (-)		0	0
8- Receivables from Pension Operation		0	0
9- Doubtful Receivables From Main Operations		17,615,360	15,262,346
10- Provisions for Doubtful Receivables From Main Operations (-)		(13,920,820)	(12,154,965)
<b>D- Due from Related Parties</b>		<b>11,877</b>	<b>11,938</b>
1- Due from Shareholders		0	0
2- Due from Affiliates		0	0
3- Due from Subsidiaries		0	0
4- Due from Enterprises Subject to Joint Management		0	0
5- Due from Personnel		0	0
6- Due from Other Related Parties		11,877	11,938
7- Rediscount on Receivables Due from Related Parties (-)		0	0
8- Doubtful Receivables Due from Related Parties		0	0
9- Provisions for Doubtful Receivables Due from Related Parties (-)		0	0
<b>E- Other Receivables</b>		<b>(2,046,963)</b>	<b>(337,973)</b>
1- Leasing Receivables		0	0
2- Unearned Leasing Interest Income (-)		0	0
3- Guarantees Given		6,315	39,036
4- Other Receivables	27	1,936,997	1,760,202
5- Rediscount on Other Receivables (-)		(3,990,275)	(2,137,211)
6- Other Doubtful Receivables		0	0
7- Provisions for Other Doubtful Receivables (-)	30	0	0
<b>F- Prepaid Expenses and Income Accruals</b>		<b>1,494,930</b>	<b>1,591,745</b>
1- Prepaid Expenses		108,234	116,986
2- Accrued Interest and Rent Income		1,386,696	1,474,759
3- Income Accruals		0	0
4- Other Prepaid Expenses and Income Accruals		0	0
<b>G- Other Current Assets</b>		<b>2,773,367</b>	<b>1,578,730</b>
1- Inventories		94,990	127,952
2- Prepaid Taxes and Funds		2,203,099	1,450,778
3- Deferred Tax Assets		0	0
4- Business Advances		475,278	0
5- Advances Given to Personnel		0	0
6- Stock Count Differences		0	0
7- Other Current Assets		0	0
8- Provision for Other Current Assets (-)		0	0
<b>1- Total Current Assets</b>		<b>476,419,220</b>	<b>535,566,823</b>



<b>ASSETS</b>		TRY	
<b>2- Non Current Assets</b>			
	Note	Current Period 31/12/2006 <i>Audited</i>	Previous Period 31/12/2005 <i>Audited</i>
<b>A- Receivables From Main Operations</b>			
		0	0
1- Receivables From Insurance Operations		0	0
2- Provision for Receivables From Insurance Operations (-)		0	0
3- Receivables From Reinsurance Operations		0	0
4- Provision for Receivables From Reinsurance Operations (-)		0	0
5- Cash Deposited for Insurance & Reinsurance Companies		0	0
6- Loans to Policyholders		0	0
7- Provision for Loans to Policyholders (-)		0	0
8- Receivables From Pension Operations		0	0
9- Doubtful Receivables from Main Operations		0	0
10- Provision for Doubtful Receivables from Main Operations		0	0
<b>B- Due from Related Parties</b>			
		0	0
1- Due from Shareholders		0	0
2- Due from Affiliates		0	0
3- Due from Subsidiaries		0	0
4- Due from Enterprises Subject to Joint Management		0	0
5- Due from Personnel		0	0
6- Due from Other Related Parties		0	0
7- Rediscount on Receivables Due from Related Parties (-)		0	0
8- Doubtful Receivables Due from Related Parties		0	0
9- Provisions for Doubtful Receivables Due from Related Parties (-)		0	0
<b>C- Other Receivables</b>			
		0	0
1- Leasing Receivables		0	0
2- Unearned Leasing Interest Income (-)		0	0
3- Guarantees Given		0	0
4- Other Receivables		0	0
5- Rediscount on Other Receivables (-)		0	0
6- Other Doubtful Receivables		0	0
7- Provisions for Other Doubtful Receivables (-)		0	0
<b>D- Financial Assets</b>			
		1,572,154,837	1,448,560,382
1- Investments In Associates	25	1,395,321,898	1,431,624,071
2- Affiliates	25	191,494,416	31,407,217
3- Capital Commitments to Affiliates (-)	25	(239,584)	(281,250)
4- Subsidiaries		0	0
5- Capital Commitments to Subsidiaries (-)		0	0
6- Enterprises Subject to Joint Management		0	0
7- Capital Commitments to Enterprises Subject to Joint Management (-)		0	0
8- Financial Assets and Investments with Risks on Policyholders		0	0
9- Other Financial Assets		0	0
10- Diminution in Value of Financial Assets (-)	25	(14,421,893)	(14,189,656)
<b>E- Tangible Fixed Assets</b>			
		47,972,717	48,421,874
1- Investment Properties	8	10,078,063	10,153,985
2- Diminution in Value for Investment Properties (-)		0	0
3- Owner Occupied Property	8	38,564,640	37,894,373
4- Machinery and Equipments		0	0
5- Furnitures and Fixtures	8	21,372,528	19,779,988
6- Vehicles	8	116,670	1,338,525
7- Other Tangible Assets (Including Leasehold Improvements)		1,830,952	1,383,081
8- Leased Tangible Fixed Assets		351,395	351,395
9- Accumulated Depreciation (-)		(24,341,531)	(22,479,473)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)	8	0	0
<b>F- Intangible Fixed Assets</b>			
		2,994,833	1,371,519
1- Rights		3,204,803	1,398,051
2- Goodwill		0	0
3- Establishment Costs		0	0
4- Research and Development Expenses		0	0
6- Other Intangible Assets		0	0
7- Accumulated Amortizations (-)		(209,970)	(26,532)
8- Advances Regarding Intangible Assets		0	0
<b>G- Prepaid Expenses and Income Accruals</b>			
		0	0
1- Prepaid Expenses		0	0
2- Income Accruals		0	0
3- Other Prepaid Expenses and Income Accruals		0	0
<b>H- Other Non-current Assets</b>			
		0	0
1- Effective Foreign Currency Accounts		0	0
2- Foreign Currency Accounts		0	0
3- Inventories		0	0
4- Prepaid Taxes and Funds		0	0
5- Deferred Tax Assets		0	0
6- Other Non-current Assets		0	0
7- Other Non-current Assets Amortization (-)		0	0
8- Provision for Other Non-current Assets (-)		0	0
<b>2- Total Non-current Assets</b>		<b>1,623,122,387</b>	<b>1,498,353,775</b>

## LIABILITIES

TRY

3- Short Term Liabilities	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
<b>A- Borrowings</b>		<b>0</b>	<b>315,715</b>
1- Loans to Financial Institutions		0	0
2- Leasing Payables		758	347,918
3- Deferred Leasing Costs (-)		(758)	(32,203)
4- Current Portion of Long Term Debts		0	0
5- Principal Installments and Interests on Issued Bonds		0	0
6- Other Financial Assets Issued		0	0
7- Value Differences of Financial Assets Issued (-)		0	0
8- Other Financial Liabilities		0	0
<b>B- Payables From Main Operations</b>		<b>52,678,031</b>	<b>63,219,317</b>
1- Payables Due To Insurance Operations		52,680,428	64,080,092
2- Payables Due To Reinsurance Operations		0	0
3- Cash Deposited by Insurance & Reinsurance Companies		5,997	5,659
4- Payables Due To Pension Operations		0	0
5- Payables from Other Operations		0	0
6- Rediscount on Other Payables From Main Operations (-)		(8,394)	(866,434)
<b>C- Due to Related Parties</b>		<b>168,602</b>	<b>5,531</b>
1- Due to Shareholders		161,144	1,899
2- Due to Affiliates		0	0
3- Due to Subsidiaries		0	0
4- Due to Enterprises Subject to Joint Management		0	0
5- Due to Personnel		7,458	3,632
6- Due to Other Related Parties		0	0
<b>D- Other Payables</b>		<b>15,043,644</b>	<b>7,349,887</b>
1- Guarantees and Deposits Received		0	0
2- Other Payables	27	15,043,644	7,349,887
3- Rediscount on Other Payables (-)		0	0
<b>E- Insurance Technical Provisions</b>		<b>190,776,313</b>	<b>129,374,869</b>
1- Provisions for Unearned Premiums - Net		127,924,680	90,898,819
2- Unexpired Risk Reserves - Net		0	0
3- Life Mathematical Provisions - Net		0	0
4- Provision for Outsanding Claims - Net		62,851,633	38,476,050
5- Provision for Bonus and Discounts - Net		0	0
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		0	0
7- Other Technical Provisions - Net		0	0
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>2,955,353</b>	<b>6,906,672</b>
1- Taxes and Dues Payable		2,677,191	2,342,430
2- Social Security Premiums Payable		827,000	689,257
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		0	0
4- Other Taxes and Liabilities		6,491	7,675
5- Corporate Tax Payable		5,066,767	11,939,785
6- Prepaid Taxes and Other Liabilities Regarding Period Profit (-)		(5,622,096)	(8,072,475)
7- Provisions for Other Taxes and Liabilities		0	0
<b>G- Provisions for Other Risks</b>		<b>0</b>	<b>0</b>
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>0</b>	<b>0</b>
1- Deferred Income		0	0
2- Expense Accruals		0	0
3- Other Deferred Income and Expense Accruals	27	1	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		0	0
<b>3- Total Short Term Liabilities</b>		<b>261,621,943</b>	<b>207,171,991</b>

<b>LIABILITIES</b>				TRY
<b>4- Long Term Liabilities</b>	Note	<i>Audited</i> Current Period 31/12/2006	<i>Audited</i> Previous Period 31/12/2005	
<b>A- Borrowings</b>		0	0	
1- Loans to Financial Institutions		0	0	
2- Leasing Payables		0	0	
3- Deferred Leasing Costs (-)		0	0	
4- Bonds Issued		0	0	
5- Other Financial Assets Issued		0	0	
6- Value Differences of Financial Assets Issued (-)		0	0	
7- Other Financial Liabilities		0	0	
<b>B- Payables From Main Operations</b>		0	0	
1- Payables Due To Insurance Operations		0	0	
2- Payables Due To Reinsurance Operations		0	0	
3- Cash Deposited by Insurance & Reinsurance Companies		0	0	
4- Payables Due To Pension Operations		0	0	
5- Payables from Other Operations		0	0	
6- Rediscount on Other Payables From Main Operations (-)		0	0	
<b>C- Due to Related Parties</b>		0	0	
1- Due to Shareholders		0	0	
2- Due to Affiliates		0	0	
3- Due to Subsidiaries		0	0	
4- Due to Enterprises Subject to Joint Management		0	0	
5- Due to Personnel		0	0	
6- Due to Other Related Parties		0	0	
<b>D- Other Payables</b>		0	0	
1- Guarantees and Deposits Received		0	0	
2- Other Payables		0	0	
3- Rediscount on Other Payables (-)		0	0	
<b>E- Insurance Technical Provisions</b>		60,638,666	57,450,449	
1- Provisions for Unearned Premiums - Net		0	0	
2- Unexpired Risk Reserves - Net		0	0	
3- Life Mathematical Provisions - Net		5,665,781	8,116,011	
4- Provision for Outstanding Claims - Net		0	0	
5- Provision for Bonus and Discounts - Net		0	0	
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		6,085,466	11,931,808	
7- Other Technical Provisions - Net	27	48,887,419	37,402,630	
<b>F- Tax and Other Liabilities to be Paid and Relevant Provisions</b>		0	0	
1- Taxes and Dues Payable		0	0	
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		0	0	
3- Other Liabilities and Expense Accruals		0	0	
<b>G- Provisions for Other Risks</b>		5,196,220	4,587,504	
1- Provision for Employment Termination Benefits		5,196,220	4,587,504	
2- Provisions for Employee Pension Fund Deficits		0	0	
<b>H- Deferred Income and Expense Accruals</b>		0	0	
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>		235	235	
1- Deferred Tax Liability		0	0	
3- Other Long Term Liabilities		235	235	
<b>4- Total Long Term Liabilities</b>		<b>65,835,121</b>	<b>62,038,188</b>	

## CAPITAL

TRY

5- Capital	Note	Current Period 31/12/2006	Previous Period 31/12/2005
		<i>Audited</i>	<i>Audited</i>
<b>A- Paid in Capital</b>		<b>434,338,907</b>	<b>339,172,382</b>
1- (Nominal) Capital	2	306,000,000	153,000,000
2- Unpaid Capital (-)		0	0
3- Positive Inflation Adjustment on Capital		128,338,907	186,172,382
4- Negative Inflation Adjustment on Capital (-)		0	0
<b>B- Capital Reserves</b>		<b>0</b>	<b>95,223,247</b>
1- Equity Share Premiums		0	0
2- Cancellation Profits of Equity Shares		0	0
3- Profit on Sale to be Transferred to Capital		0	95,223,247
4- Translation Reserves		0	0
5- Other Capital Reserves		0	0
<b>C- Profit Reserves</b>		<b>1,258,468,223</b>	<b>1,252,974,065</b>
1- Legal Reserves		74,929,882	67,186,493
2- Statutory Reserves		62	62
3- Extraordinary Reserves		233,788,272	218,045,923
4- Special Funds (Reserves)		0	0
5- Revaluation of Financial Assets		949,750,007	967,741,587
6- Other Profit Reserves		0	0
<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>74,184,451</b>	<b>72,247,765</b>
1- Net Profit of the Period		74,184,451	72,247,765
2- Net Loss of the Period		0	0
<b>Total Shareholders' Equity</b>		<b>1,772,084,543</b>	<b>1,764,710,419</b>

## AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT

			TRY		
1-Technical Division	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005		
<b>A- Non-Life Technical Income</b>		<b>392,034,915</b>	<b>296,340,010</b>		
1- Earned Premiums (Net of Reinsurer Share)		311,664,110	211,678,827		
1.1- Premiums (Net of Reinsurer Share)		348,690,762	233,928,225		
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	2-10	(37,026,652)	(22,249,398)		
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0		
2- Investment Income Transferred from Non-Technical Divisions		14,975,034	12,972,502		
3- Other Technical Income (Net of Reinsurer Share)	27	65,395,771	71,688,681		
<b>B- Non-Life Technical Expense (-)</b>		<b>(368,461,833)</b>	<b>(266,906,896)</b>		
1- Realized Claims (Net of Reinsurer Share)		(226,444,778)	(151,111,769)		
1.1- Claims Paid (Net of Reinsurer Share)		(206,106,884)	(139,345,612)		
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2-10	(20,337,894)	(11,766,157)		
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0		
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2	(3,647,326)	(2,814,829)		
4- Operating Expenses (-)		(138,369,729)	(112,980,298)		
<b>C- Non Life Technical Profit (A-B)</b>		<b>23,573,082</b>	<b>29,433,114</b>		
<b>D- Life Technical Income</b>		<b>3,717,837</b>	<b>8,173,838</b>		
1- Earned Premiums (Net of Reinsurer Share)		1,145,457	2,308,208		
1.1- Premiums (Net of Reinsurer Share)		1,144,667	2,305,765		
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		790	2,443		
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0		
2- Life Branch Investment Income		2,318,305	5,471,904		
3- Accrued (Unrealized) Income from Investments		0	0		
4- Other Technical Income (Net of Reinsurer Share)		254,075	393,726		
<b>E- Life Technical Expense</b>		<b>(6,336,320)</b>	<b>(8,707,950)</b>		
1- Realized Claims (Net of Reinsurer Share)		(14,087,087)	(27,213,147)		
1.1- Claims Paid (Net of Reinsurer Share)		(12,275,722)	(26,193,448)		
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(1,811,365)	(1,019,699)		
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0		
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		2,450,229	5,090,692		
4- Changes in Reserves for Life Insurance Policies Including Investment Risk (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		5,743,804	14,001,575		
5- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		0	0		
6- Operating Expenses (-)		(327,350)	(313,474)		
7- Investment Expenses (-)		0	0		
8- Accrued (Unrealized) Losses from Investments (-)		0	0		
9- Investment Income Transferred to Non Technical Divisions (-)		(115,916)	(273,596)		
<b>F- Life Technical Profit (D-E)</b>		<b>(2,618,483)</b>	<b>(534,112)</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>		

2- Non Technical Division	Note	Audited Current Period 31/12/2006	Audited Previous Period 31/12/2005
<b>C- Non Life Technical Profit</b>		23,573,082	29,433,114
<b>F- Life Technical Profit</b>		(2,618,483)	(534,112)
<b>I- Individual Retirement Technical Profit</b>		0	0
<b>J- Total Technical Profit (C+F+I)</b>		20,954,599	28,899,002
<b>K- Investment Income</b>		98,865,222	92,392,147
1- Income From Financial Investment		25,036,856	30,861,323
2- Income from Sales of Financial Assets		747,401	831,460
3- Revaluation of Financial Assets		5,902,326	8,753,749
4- Foreign Exchange Gains		7,488,278	3,138,268
5- Dividend Income from Participations		59,256,593	48,237,699
6- Income from Affiliated Companies		0	0
7- Real Estate Income		317,852	296,052
8- Income from Derivative Products		0	0
9- Other Investments		0	0
10- Investment Income Transferred from Life Technical Division		115,916	273,596
<b>L- Investment Expenses (-)</b>		(24,053,066)	(19,706,708)
1- Investment Management Expenses (including interest) (-)		0	0
2- Valuation Allowance of Investments (-)		0	0
3- Losses On Sales of Investments (-)		0	0
4- Investment Income Transferred to Life Technical Division (-)		(14,975,034)	(12,972,502)
5- Losses from Derivative Products (-)		0	0
6- Foreign Exchange Losses (-)		(6,190,985)	(3,864,853)
7- Depreciation Expenses (-)	1	(2,887,047)	(2,869,353)
8- Other Investment Expenses (-)		0	0
<b>M- Other Income and Expenses (+/-)</b>		(16,515,537)	(17,396,891)
1- Reserves (Provisions) Account (+/-)	2	(13,032,898)	(14,736,999)
2- Rediscount Account (+/-)	2	(2,711,104)	471,296
3- Mandatory Earthquake Insurance Account (+/-)		4,630	759,356
4- Inflation Adjustment Account (+/-)		0	0
5- Deferred Tax Asset Accounts(+/-)		0	0
6- Deferred Tax Expense Accounts (+/-)		0	0
7- Other Income and Revenues		1,374,479	1,198,070
8- Other Expense and Losses (-)		(2,150,644)	(5,088,614)
9- Prior Period Income		0	0
10- Prior Period Losses (-)		0	0
<b>N- Net Profit / (Loss)</b>		74,184,451	72,247,765
1- Profit /(Loss) Before Tax		79,251,218	84,187,550
2- Taxes Provisions (-)	2	(5,066,767)	(11,939,785)
3- Net Profit (Loss) after Tax		74,184,451	72,247,765
4- Inflation Adjustment Account (+/-)		0	0

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

### 1 - Operations of the Company

Aksigorta Anonim Şirketi (the "Company") registered on 25 April 1960 in Istanbul, Turkey, is a subsidiary of Hacı Ömer Sabancı Holding. The Company's core business is mainly on insurance covering fire, transportation, accident, machine assembly, hail, life, animal life, and also health starting from the second half of 2002. The Company has one headquarters, 10 regional offices, 4 of which located in Istanbul, 1 in Adana, Ankara, Bursa, Aegean, Black Sea, Mediterranean and 3 regional representative offices in Denizli, Trabzon and Diyarbakır. Starting from 1 May 2006, the Company's regional representative office in Antalya began to operate as the Mediterranean regional office.

### 2 - Shareholders with a Shareholding of 10% or More

	31 December 2006		31 December 2005	
	Share Amount (TRY)	Share Rate %	Share Amount (TRY)	Share Rate %
H. Ömer Sabancı Holding A.Ş.	189.658.800	61.98	94.829.400	61.98
Other	116.341.200	38.02	58.170.600	38.02
	306.000.000	100.00	153.000.000	100.00

### 3 - Preference Shares

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

### 4 - Registered Capital Limit

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

### 5 - Capital Increases During Year

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

### 6 - Marketable Securities Other Than Issued Shares During the Year

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

## 7 - Issued Marketable Securities Representing Matured Debt

There is no debt securities matured during year.

## 8 - Movements of Tangible Fixed Assets During the Current Period

- Cost of purchased or acquired fixed assets TRY 2.715.595.  
(31 December 2005 - TRY 4.805.651)
- Cost of purchased or acquired intangible assets: TRY 1.806.752.  
(31 December 2005 - TRY 1.398.050)
- Cost of fixed assets sold: TRY 1.302.694.  
(31 December 2005 - TRY 919.771)
- Revaluation of tangible fixed assets during the year: None.
- The quality, total amount, beginning, ending dates and completeness degree of construction in progress: None.

## 9 - Current and Future Investment Allowances Deductible from the Tax Base

There is no investment allowance used or to be used for the current or future periods  
(31 December 2005 - TRY 436.176)

## 10 - Balances With Shareholders, Affiliates and Subsidiaries

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

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



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

## 11 - Depreciation and Valuation Methods for Inventory and Other Balance Sheet Items, Changes in These and Other Accounting Principles, Monetary Effects on These Changes and Possible Matters That Can Change the Assumption on Going Concern and Accrual Basis Accounting of the Company and Their Reasons

### Accounting Principles

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

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

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

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

### a. Financial Instruments:

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

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

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

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

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

**b. Technical Provisions:**

Unearned premium reserves, outstanding claim provision, life mathematical and life profit share provision and reinsurer's share of these provisions and earthquake loss provisions are included in the financial statements in accordance with the principles mentioned below:

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

Provision for outstanding claims is provided for the outstanding claims reported at period end. Any difference regarding to the claim paid and provision provided is reflected to the records at the date that the payment is made. Reinsurer share of the outstanding claim provisions are shown separately.

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

Regulation on the "Changes in the Foundation and Operation Principles of Insurance and Reinsurance Companies" was put into effect after it was published in the Official Gazette dated 27 January 2004 numbered 25359. According to the first article of the regulation, insurance and reinsurance companies should provide provision for the estimated and accrued outstanding claims in the previous or the current periods. If the Company is unable to estimate the amount of claim provision, the outstanding claim provision should be provided based on the estimated values of the incurred but not reported claims. By the last declaration of the Undersecretariat of the Treasury dated 18 January 2005 and numbered B.02.1.HM.0.SGM.0.3.1.1-03821,

it is stated that incurred but not reported claims included in the financial statements as of the balance sheet date will be followed as a sub-account under outstanding claim provisions. The same declaration also states that, this provision is calculated based on the recent 3 years' information as of 31 December 2004 (In computing the 2005 results; the recent four years and for 2006 and the following years' results; the recent five years are taken into account) and calculated based on the net retention amount and on insurance basis by subtracting the proceeds such as recovery and residual value or any other similar income. It is stated that when calculating the incurred but not reported claims, weighted averages of previous years' premium productions and relevant incurred but not reported claim amounts will be taken into consideration and the current year's incurred but not reported claims is measured multiplying the calculated weighted average and the current year premium production.

The Company's incurred but not reported claims included in the outstanding claim provisions in the accompanying financial statements and calculated according to the methods mentioned above as of 31 December 2006 amounts to TRY 6.771.343. (31 December 2005 - TRY 4.571.763)

Regulation on the "Changes in the Foundation and Operation Principles of Insurance and Reinsurance Companies" denotes that insurance companies should provide additional outstanding claim provision as the amount of the difference between the outstanding claim adequacy ratio and 90%; if the average of the last five years outstanding claim adequacy ratio, except for the current year, is below 90%. As of 31 December 2006, the average of last five years' adequacy ratio calculated by the Company is 103.27% excluding the life insurance. (31 December 2005: 101.46%)

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

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

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

**c. Recovery Income Accruals:**

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

The Company has determined the amount of its recovery receivables in accordance with its declaration made to the Union of the Turkish Insurance and Reinsurance Companies as of 3 February 2005. The Company has calculated the total recovery receivable amount from the insurance companies as TRY 7.487.721 as of 31 December 2006 (31 December 2005 - TRY 6.394.316) and the retention amount of this recovery receivables after the reinsurance share of TRY 2.715.551 (31 December 2005 - TRY 3.021.212) as TRY 4.772.170 (31 December 2005 - TRY 3.373.104). The Company began this application as of 31 December 2005. The application has an effect on the other technical income account by the amount of TRY 1.399.066 as of 31 December 2006. Moreover, the Company presents TRY 11.042.803 (31 December 2005 - TRY 9.077.776) of recovery receivable which is the retained amount out of TRY 25.045.965 (31 December 2005 - TRY 23.758.581) worth of recovery receivables and TRY 14.003.162 (31 December 2005 - TRY 14.680.805) reinsurance share and all of which is arising from the litigations in and before 2005 as doubtful receivables from main operations and technical income and records provision for the whole amount of TRY 11.042.803 and it is shown under the provision expenses. In the same way, TRY 2.176.965 (31 December 2005 - TRY 1.570.624) of retained recovery payable out of TRY 3.666.772 (31 December 2005 - TRY 2.927.378) worth of recovery payables to the insurance firms and TRY 1.489.807 (31 December 2005 - TRY 1.356.754) reinsurer share are recorded under payables from the main operations and other technical expenses accounts.

**d. Premium Income and Claims:**

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

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

**e. Receivables from Policyholders and Agents:**

Based on Article 27 of the Communiqué on “Foundation and Operation Regulations for Insurance and Reinsurance Companies” published in the Official Gazette numbered 22153 and dated 26 December 1994 by the Undersecretariat of the Treasury which has been in effect as of 1 January 1995; insurance companies should provide provisions for due premiums from policyholders and agents which cannot be collected in two months period. The Company provided premium provision amounting to TRY 6.864.460 (31 December 2005 - TRY 5.771.448) for those due premiums as of 31 December 2006.

Furthermore, the Company is provided provision for doubtful receivables under the legal and management follow up not included in the premium provision mentioned above in accordance with Article 323 of the tax legislation. As of 31 December 2006, the amount of doubtful receivables under legal and management follow up is TRY 6.572.557. The related provision provided for these receivables as of 31 December 2006 is TRY 2.878.017 (31 December 2005 - TRY 3.077.188) after deducting the guarantees obtained in return of those receivables.

In the accompanying financial statements, TRY 43.049.293 (31 December 2005 - TRY 28.006.251) of receivables from insurance operations consists of the receivables from the reinsurer and insurance companies and they are represented as premium receivables in accordance with the new chart of accounts. Similarly, TRY 21.149.294 (31 December 2005 - TRY 27.829.194) of insurance payables included in liability accounts also consist of payables to the reinsurance and insurance companies.

**f. Discount of Receivables and Payables:**

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

**g. Tangible Fixed Assets:**

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

	(%)
Buildings	2
Vehicles	20-25-50
Furniture, Fixtures & 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 5.196.220 (31 December 2005 - TRY 4.587.504). Total employee termination expense for the year 2006 is TRY 1.139.807 (31 December 2005 - TRY 973.787).

**j. Dividend Income:**

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

**k. Incentive Commissions:**

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

**l. Excess of Loss Payments:**

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

**m. Clean-Cut Applications:**

The Company has clean cut agreements in motor branch. Premium and loss portfolio withdrawals related to these agreements are realized by the Company as of 31 December 2005. Nonetheless, portfolio entries of the agreements whose treaty conditions for the new period are neither confirmed by the reinsurer firms nor finalized as of the balance sheet date are made in 2005. The income realized from the portfolio entries and withdrawals related with the mentioned reinsurers due to the change in the retention rates of the Company in the following period amounts to TRY 8.912.387 and is represented in other technical income at 2<sup>nd</sup> half of 2005. These reinsurers have confirmed the new treaty conditions in 2006. Income realized from the portfolio entries of reinsurers that confirmed the treaty conditions as of the balance sheet date recorded in 2006 is TRY 7.425.258. In previous years, as an accounting principle, the Company recorded the adjustments related with the change in the retention rates resulted from the withdrawal of the reinsures from treaty in the subsequent period in the current period.

**n. Taxation:**

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, deducting dividends received from resident companies, and adding other exempt income and investment incentives utilized. The effective tax rates are as follows: In 2006 20%, in 2005 30%.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 (2005 - 30%). The excess of 20% on advance taxes paid that were calculated at the rate of 30% during advance taxation periods after 1 January 2006 will be offset against advance taxes for the subsequent periods.

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

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

**Income Withholding Tax:** In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 21 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance

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

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

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

**Inflation Adjusted Tax Calculation:** For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, no further inflation adjustment made to the Company's statutory financial statements in 2005.

**o. Comparative Information:**

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

## **12 - Subsequent Events**

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

## **13 - Information on Contingent Losses and All Contingent Gains**

Total amount of claims filed against the Company as of the balance sheet date is TRY 39.684.098. The total amount of claims filed by the Company to third parties is TRY 31.408.456 and TRY 6.362.491 of this amount is related to the cases brought against for the collection of receivables from the agencies. (31 December 2005: Total amount of claims filed against the Company as of the court date is TRY 27.036.458. In addition to this, the total amount of claims brought by the Company is TRY 23.738.581, and TRY 6.130.885 of this amount is related to the cases brought against for the collection of receivables from the agencies). The Company allocates provisions for agencies and outstanding claims in the accompanying financial statements.

## **14 - Material Changes in Accounting Estimates About the Company's Gross Profit and Monetary Effects of These Changes**

None.

## **15 - Guarantees and Mortgages on Assets**

Based on the Foundation and Operation Regulations of Insurance and Reinsurance Companies, total guarantee allocated in favour of the Undersecretariat of the Treasury for the purpose of commitments due to insurance policies is TRY 98.606.661 and total guarantee obligation is TRY 91.352.615 (31 December 2005 - TRY 94.796.228 and TRY 84.380.023, respectively).



## 16 - Insurance on Assets

31 December 2006			
Type of Asset	Net Book Value	Insurance Coverage	Coverage Rate
Tangible Fixed Assets	47.972.717	173.031.230	361
31 December 2005			
Type of Asset	Net Book Value	Insurance Coverage	Coverage Rate
Tangible Fixed Assets	48.421.874	115.402.859	238

## 17 - Guarantees and Mortgages Received

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

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

## 18 - Commitment & Contingent Liabilities

Commitment Type	31 December 2006	31 December 2005
	TRY	TRY
Letter of Guarantee	3.103.852	22.375.972
Other Commitments	565.250	-
	3.669.102	22.375.972

## 19 - Guarantees To Be Determined for Life and Non-life Insurances and Guarantees Determined for Assets Based on Life and Non-life Insurances by the Company

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

Branch	31 December 2006		31 December 2005	
	Required	Current	Required	Current
	Blockage	Blockage	Blockage	Blockage
	TRY	TRY	TRY	TRY
<b>None Life</b>	<b>77.019.755</b>	<b>83.538.079</b>	<b>61.814.083</b>	<b>68.441.167</b>
Government Bond		30.058.727		25.171.232
Common Stock		14.969.475		12.362.817
Real - estate		38.509.877		30.907.118
<b>Life</b>	<b>14.332.860</b>	<b>15.068.582</b>	<b>22.565.940</b>	<b>26.355.061</b>
Government Bond		12.192.722		22.976.149
Common Stock		2.875.860		3.378.912
<b>Total</b>	<b>91.352.615</b>	<b>98.606.661</b>	<b>84.380.023</b>	<b>94.796.228</b>

## 20 - The Company's Number of Life Insurance Policies, Additions, Disposals During the Year and the Related Mathematical Reserves

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

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

## 21 - Guarantee Amounts Given to Non-life Insurances According to Branches

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

## 22 - Pension Funds Established By the Company and Unit Prices

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

## 23 - Participation Certificates in Portfolio and in Circulation

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

## 24 - Number and Portfolio Amounts of Incoming, Divergent, Cancelled and Existing Individual and Group Retirement Participants in the Current Period

None.

**25 - Disclosure of the Market Value of Investment Securities Presented at Cost Value on the Balance Sheet, the Cost Value of Marketable Securities and Financial Long Term Assets Presented at Market Value on The Balance Sheet**

**Investments in Associates**

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

**Affiliates**

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

**Provision for Diminution in Value of Financial Assets**

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

(\*) By the 10 March 2006 dated and 2006/265 numbered authorization of the Undersecretariat of Treasury, the shares of Ak Emeklilik A.Ş., pertaining to Akbank T.A.Ş., having a nominal value of TRY 14.681.511,99 (73.41%) were sold in consideration of TRY 125.000.000 on 10 March 2006. The Company's share of participation in Ak Emeklilik is increased from 26% to 99.41% in 2006. According to the independent valuation performed during the sale of the shares to determine the fair value of the shares purchased, TRY 35.127.709 of the market value difference which corresponded to the 26% previously retained Company shares is recognized respectively under the affiliates account and revaluation of financial assets account in shareholders' equity.

## Marketable Securities Available for Sale

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

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

## Marketable Securities Held for Trading

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

## 26 - Securities Issued By Shareholders, Affiliates and Subsidiaries

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

## 27 - Details of "Other" Balances in Financial Statements

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

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

	31 December 2006	31 December 2005
	TRY	TRY
Other Tangible Assets		
Leasehold Improvements	1.830.952	1.383.080

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

	31 December 2006	31 December 2005
Other Technical Provisions	TRY	TRY
Provision for Earthquake Claims	48.887.419	37.402.630

	31 December 2006	31 December 2005
Other Technical Income	TRY	TRY
Reinsurance Commissions Received	54.046.762	49.137.296
Loss-premium Portfolio Withdrawal	7.425.258	8.912.387
Accrued Recovery Receivables	3.364.093	12.450.880
Other	559.658	1.188.118
Total	65.395.771	71.688.681

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

	31 December 2006	31 December 2005
Other Expenses and Loss		
Doubtful Receivables from Agencies	1.201.513	4.722.293
Other	949.131	366.321
Total	2.150.644	5.088.614

## 28 - Receivable From and Payable to Personnel Exceeding 1% of Total Assets Included in Other Receivables and Other Short or Long Term Payables

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

## 29 - Doubtful Receivables From Shareholders, Affiliates or Subsidiaries

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

## 30 - Doubtful Receivables Already Due or Not Yet Due

The Company provides doubtful receivable provision for receivables that are under legal or management follow-up. As of the balance sheet date, after netting off guarantees received, the Company provided provision of TRY 2.878.017 for doubtful receivables amounting to TRY 6.572.557. (31 December 2005: TRY 3.077.188). Moreover, the Company recorded TRY 11.042.804 of provision for the recovery receivables that are subject to litigation and under its retention. (31 December 2005 - TRY 9.077.776)

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

### 31 - Equity Investments

Investment in Associates and Affiliates	Participation Amount	Participation %	Financial Statement Date	Pre Tax Period Profit/Loss	Net Period Profit/Loss	Financial Statement Standards	Independently Audited	Independent Auditors Report
Ak Emeklilik A.Ş.	169.271.898	99,41	31.12.2006	11.013.316	10.269.758	IFRS	No	(*)
Tursa Sabancı								
Tur. ve Yat. İşl. A.Ş.	4.259.741	2,57	31.12.2006	1.997.991	(4.670.793)	IFRS	No	(*)
Akbank T.A.Ş.	1.245.221.605	6,62	31.12.2006	1.936.562.000	1.600.192.000	BRSA	Yes	Unqualified
Akçansa Çimento	120.942.809	7,47	30.09.2006	150.523.226	133.744.869	CMB	No	(*)
Çimsa	28.221.013	2,57	30.09.2006	116.588.298	90.002.097	CMB	No	(*)
Yünsa	936.471	1,49	30.09.2006	13.092.115	9.736.852	CMB	No	(*)
Temsa	3.187.014	2,75	30.09.2006	49.432.526	39.980.403	TCC	No	(*)
Ak Finansal Kiralama A.Ş.	3.490	0,005	31.12.2006	20.728.291	20.728.291	IFRS	No	(*)
Akyatırım Menkul Değerler	16.505	0,02	31.12.2006	26.225.000	19.860.000	IFRS	No	(*)
Dönkasan	541	0,02	31.12.2006	3.136.445	2.504.443	TCC	No	(*)
Tarsim A.Ş.	333.333	5,55	31.12.2006	804.235	645.890	TCC	No	(*)
Tarsim A.Ş. sermaye taahhütleri (-)	(239.583)							
<b>Total</b>	<b>1.572.154.837</b>							

CMB: The Capital Markets Board TCC: Turkish Commercial Code BRSA: Banking Regulation and Supervision Agency  
 (\*) Independent auditor's report could not be obtained as of the report date.

### 32 - Bonus Shares Obtained from Affiliates and Subsidiaries Due to Internal Capital Increase

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

### 33 - Non-cash Rights on Immovables

There are no non-cash rights on immovable.

### 34 - Surplus Arising from Financial Assets During the Last Three Years

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

Year	TRY
31 December 2006	949.750.007
31 December 2005	967.741.587
31 December 2004	-

### 35 - Assets and Liabilities in Foreign Currencies

#### Foreign Currency Receivables

Banks

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

#### Foreign Currency Receivables / Payables

	31 December 2006 (Receivable)			31 December 2005 (Payable)		
	Currency Amount	Rate	TRY Amount	Currency Amount	Rate	TRY Amount
USD	1.415.820	1,4124	1.999.704	442.314	1,3483	531.685

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

### 36 - Guarantees Given on Behalf of Shareholders, Affiliates and Investment in Associates

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

### 37 - Personnel Structure

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

### **38 - Valuation Method Used to Calculate Profit Share in Profit Share Based Life Insurances**

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

### **39 - Reason for Contracting Long-term and Short-term Borrowings**

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

### **40 - Other Significant Matters Materially Affecting the Financial Statements**

a) Confirmations of reinsurer accounts can be completed in three or four months for quarter terms due to reinsurer transactions process in insurance sector. The confirmation of Company's reinsurer accounts has been completed for the term of the third quarter of year and no significant discrepancy has been determined. Therefore, reinsurer confirmation realized during the fourth quarter of the year ended 31 December 2006 will be completed after reconciliation with the third parties.

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

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

### **41 - Recovery Receivables Followed under the Off-balance-sheet Items**

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



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

### 1 - Depreciation and Amortization Expenses of the Period Are as Follows:

	2006	2005
	TRY	TRY
Normal Depreciation Expense	2.887.047	2.869.353

### 2 - Rediscount and Provision Expense of the Period:

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

### 3 - Finance Costs of the Period:

	2006	2005
	TRY	TRY
a) Directly expensed:	-	7.960

### 4 - There Is No Finance Expense Related with Shareholders, Affiliates and Subsidiaries for the Period.

## 5 - Purchase and Sale Transactions with Shareholders, Affiliates and Subsidiaries in the Current Period:

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

## 6 - Rent/Interest Income or Expense in the Current Period Relating the Shareholders, Affiliates or Subsidiaries:

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

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

	31 December 2006	31 December 2005
	TRY	TRY
Akbank T.A.Ş. Dividend Income	48.987.924	43.072.897
Akçansa Dividend Income	8.407.704	3.908.005
Çimsa Dividend Income	1.153.787	1.216.154
Yünsa Dividend Income	87.113	40.508
Temsa Dividend Income	616.000	-
Other	4.065	135
Total Dividend Income	59.256.593	48.237.699

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

	31 December 2006 TRY	31 December 2005 TRY
<b>Shareholders</b>		
H.Ö. Sabancı Holding	17.977	10.154
<b>Affiliates</b>		
Akbank T.A.Ş.	321.479	197.834
Çimsa	-	66.867
Temsa	392.021	310.246
Yünsa	56.267	55.806

**7 - The Total of Salary and Fringe Benefits Provided During the Year for the Executives Is TRY 1.499.603. (31 December 2005 - TRY 886.134)**

**8 - Straight Line Depreciation Method Is Used for All Tangible and Intangible Fixed Assets Over Their Restated Values on the Pro-rata Basis.**

**9 - Criterion for the Distribution of Operational Expenses:**

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

**10 - Previous Period Profit and Loss & Income and Expenses:**

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

**11 - Earnings Per Share as of the Report Date Is as Follows:**

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

There are no privileged shares.

**12 - Distribution of New Individual Retirement Participants and Gross & Net Participation Shares for Individual and Corporate Clients in the Current Period:**

None.

**13 - Distribution of New Individual Retirement Participants Transferred from Other Insurance Companies and Gross & Net Participation Shares for Those Individual and Corporate Clients in the Current Period:**

None.

**14 - Distribution of New Individual Retirement Participants Transferred from Life Insurance Portfolio and Gross & Net Participation Shares for Those Individual and Corporate Clients in the Current Period:**

None.

**15 - Distribution of Former Individual Retirement Participants and Gross & Net Participation Shares for Those Individual and Corporate Clients in the Current Period:**

None.

**16 - Distribution of New Life Insurance Policyholders in Terms of Numbers and Gross & Net Premium as Individual or Group in the Current Period:**

None.

**17 - Distribution of Mathematical Reserves for Former Life Insurance Policyholders as an Individual or Group in the Current Period:**

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

**18 - Share Profit Distribution Rate Used in the Current Period for Life Insurance Policyholders Is 16.69%. (31 December 2005 - 19.55%)**



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