

AKSIGORTA ANONİM ŐİRKETİ

**CONVENIENCE TRANSLATION OF
THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2012 TOGETHER WITH
THE INDEPENDENT AUDITOR'S REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION OF
THE REVIEW REPORT FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2012 OF AKSIGORTA A.Ş.
(ORIGINALLY ISSUED IN TURKISH)**

To the Board of Directors of
Aksigorta A.Ş.

Introduction

1. We have reviewed the accompanying balance sheet of Aksigorta A.Ş. (“the Company”) as of 30 June 2012 and the related statement of income, changes in shareholders’ equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with the accounting principles and standards as set out in the insurance legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of the Review

2. We conducted our review in accordance with the principles on the review of interim financial statements as set out in the insurance legislation. A review of interim financial statements consists principally of making inquiries of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with independent auditing standards as set out in the insurance legislation and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an independent audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Aksigorta A.Ş. as of 30 June 2012, and its financial performance and its cash flows for the six-month period then ended in accordance with the accounting principles and standards as set out in the insurance legislation (Note 2).



Additional Paragraph for Convenience Translation into English

4. As discussed in Note 2.25 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line and a small circle.

Cansen Başaran Symes, SMMM
Partner

İstanbul, 14 August 2012

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 30 JUNE 2012

We confirm that the accompanying financial statements and notes to these financial statements as of 30 June 2012 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 14 August 2012



Uğur GÜLEN
Chief Executive Officer



Erkan ŞAHİNLER
Chief Financial Officer



Gülnur TÜCCAR
Accounting Manager



Şerafettin KARAKIŞ
Statutory Auditor



İlker YILDIRIM
Statutory Auditor

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 30 JUNE 2012 AND 31 DECEMBER 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET				TL
ASSETS				
I- CURRENT ASSETS	Note	Reviewed Current Period (30/06/2012)	Audited Previous Period (31/12/2011)	
A- Cash and Cash Equivalents		700.840.008	651.602.160	
1- Cash		-	-	
2- Cheques Received		-	-	
3- Banks	14	546.105.588	519.894.669	
4- Cheques Given and Payment Orders (-)		-	-	
5- Bank Guaranteed Credit Card Receivables with maturities less than three months	14	154.734.420	131.707.491	
6- Other Cash and Cash Equivalents		-	-	
B- Financial Assets and Financial Investments at Insurees' Risk	11.1	58.056.847	71.119.981	
1- Available-for-Sale Investments	11.1	52.124.115	57.579.393	
2- Held to Maturity Investments		-	-	
3- Trading Investments	11.1	-	7.925.026	
4- Loans		-	-	
5- Provision for Loans (-)		-	-	
6- Financial Assets at Insurees' Risk	11.1	5.932.732	5.615.562	
7- Company's Shares		-	-	
8- Provision for Diminution in Value (-)		-	-	
C- Receivables From Main Operations		331.976.600	316.454.044	
1- Due from Insurance Operations	12.1	332.380.251	315.764.019	
2- Provision for Due from Insurance Operations (-)	12.1	(2.883.354)	(2.883.354)	
3- Due from Reinsurance Operations		-	-	
4- Provision for Due from Reinsurance Operations (-)	12.1	(2.711.575)	(1.935.641)	
5- Premium Reserves	12.1	30.954	30.954	
6- Loans to Insurees		-	-	
7- Provision for Loans to Insurees (-)		-	-	
8- Due from Private Pension Fund Operations		-	-	
9- Doubtful Receivables from Main Operations	12.1	46.720.829	44.185.986	
10- Provision for Doubtful Receivables from Main Operations (-)	12.1	(41.560.505)	(38.707.920)	
D- Due from Related Parties		60.350	101.317	
1- Due from Shareholders		-	-	
2- Due from Subsidiaries		-	-	
3- Due from Equity Investments		-	-	
4- Due from Joint Ventures		-	-	
5- Due from Personnel		-	48.689	
6- Due from Other Related Parties	45	60.350	52.628	
7- Rediscount on Due from Related Parties (-)		-	-	
8- Doubtful Receivables from Related Parties		-	-	
9- Provision for Doubtful Receivables from Related Parties (-)		-	-	
E- Other Receivables		11.562.802	4.280.137	
1- Leasing Receivables		-	-	
2- Unearned Leasing Interest Income (-)		-	-	
3- Deposits and Guarantees Given		90.853	90.853	
4- Other Receivables	47	11.471.949	4.189.284	
5- Rediscount on Other Receivables (-)		-	-	
6- Other Doubtful Receivables		-	-	
7- Provisions for Other Doubtful Receivables (-)		-	-	
F- Deferred Expenses and Income Accruals		100.155.385	90.735.171	
1- Deferred Expenses		99.072.425	90.527.147	
2- Accrued Interest and Rent Income		-	-	
3- Deferred Income		-	-	
4- Other Deferred Income and Expense Accruals	47	1.082.960	208.024	
G- Other Current Assets		1.071.549	3.574.788	
1- Prepaid Office Supplies		134.421	163.010	
2- Prepaid Taxes and Funds		875.695	3.384.481	
3- Deferred Tax Assets		-	-	
4- Job Advances		45.387	2.814	
5- Advances to Personnel		16.046	24.483	
6- Count Shortages		-	-	
7- Other Current Assets		-	-	
8- Provision for Other Current Assets (-)		-	-	
I- Total Current Assets		1.203.723.541	1.137.867.598	

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 30 JUNE 2012 AND 31 DECEMBER 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET				TL
ASSETS				
II- NON - CURRENT ASSETS	Note	Reviewed Current Period (30/06/2012)	Audited Previous Period (31/12/2011)	
A- Receivables from Operations		-	-	
1- Due from Insurance Operations		-	-	
2- Provision for Due from Insurance Operations (-)		-	-	
3- Due from Reinsurance Operations (-)		-	-	
4- Provision for Due from Reinsurance Operations		-	-	
5- Premium Reserves		-	-	
6- Loans to Insurees		-	-	
7- Provision for Loans to Insurees (-)		-	-	
8- Due from Private Pension Fund Operations		-	-	
9- Doubtful Receivables from Main Operations		-	-	
10- Provision for Doubtful Receivables from Main Operations (-)		-	-	
B- Due from Related Parties		-	-	
1- Due from Shareholders		-	-	
2- Due from Subsidiaries		-	-	
3- Due from Equity Investments		-	-	
4- Due from Joint-Ventures		-	-	
5- Due from Personnel		-	-	
6- Due from Other Related Parties		-	-	
7- Rediscount on Due from Related Parties (-)		-	-	
8- Doubtful Receivables from Related Parties		-	-	
9- Provision for Doubtful Receivables from Related Parties (-)		-	-	
C- Other Receivables		-	-	
1- Leasing Receivables		-	-	
2- Unearned Leasing Interest Income (-)		-	-	
3- Deposits and Guarantees Given		-	-	
4- Other Receivables		-	-	
5- Rediscount on Other Receivables (-)		-	-	
6- Other Doubtful Receivables		-	-	
7- Provision for Other Doubtful Receivables (-)		-	-	
D- Financial Assets		30.116.653	30.116.653	
1- Investment Securities		-	-	
2- Subsidiaries	9, 11.4	30.116.653	30.116.653	
3- Subsidiaries Capital Commitments (-)		-	-	
4- Equity Investments		-	-	
5- Equity Investments Capital Commitments (-)		-	-	
6- Joint-Ventures		-	-	
7- Joint-Ventures Capital Commitments (-)		-	-	
8- Financial Assets and Financial Investments at Insurees' Risk		-	-	
9- Other Financial Assets		-	-	
10- Provision for diminution in value (-)		-	-	
E- Tangible Assets		34.074.922	34.175.529	
1- Investment Property	7	854.189	854.189	
2- Provision for Diminution in Value of Investment Property (-)		-	-	
3- Property for Operational Usage	6	38.837.294	38.837.294	
4- Machinery and Equipment		-	-	
5- Furniture and Fixtures	6	22.601.553	22.144.295	
6- Motor Vehicles	6	32.050	32.050	
7- Other Tangible Assets (including leasehold improvements)	6	2.414.980	2.414.980	
8- Leased Assets	6	351.395	351.395	
9- Accumulated Depreciation (-)	6, 7	(31.016.539)	(30.458.674)	
10- Advances Given for Tangible Assets (including construction in progress)		-	-	
F- Intangible Assets		8.923.955	8.854.103	
1- Rights	8	16.472.009	15.594.992	
2- Goodwill		-	-	
3- Start-up Costs		-	-	
4- Research and Development Expenses		-	-	
5- Other Intangible Assets		-	-	
6- Accumulated Amortisation (-)	8	(8.821.810)	(6.740.889)	
7- Advances Given for Intangible Assets	8	1.273.756	-	
G- Prepaid Expenses and Income Accruals		-	-	
1- Deferred Acquisition costs		-	-	
2- Income Accruals		-	-	
3- Other Prepaid Expenses		-	-	
H- Other Non-Current Assets		2.625.075	2.128.644	
1- Effective Foreign Currency Accounts		-	-	
2- Foreign Currency Accounts		-	-	
3- Prepaid Office Supplies		-	-	
4- Prepaid Taxes and Fund		-	-	
5- Deferred Tax Assets	35	2.625.075	2.128.644	
6- Other Non-Current Assets		-	-	
7- Other Non-Current Assets Depreciation (-)		-	-	
8- Provision for Diminution in Value of Other Non-Current Assets		-	-	
II- Total Non-current Assets		75.740.605	75.274.929	
TOTAL ASSETS (I+II)		1.279.464.146	1.213.142.527	

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 30 JUNE 2012 AND 31 DECEMBER 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
TL			
LIABILITIES			
III- CURRENT LIABILITIES	Note	Reviewed Current Period (30/06/2012)	Audited Previous Period (31/12/2011)
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	19.1	96.750.593	95.298.531
1- Payables from Insurance Operations	19.1	96.750.593	95.298.531
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		176.580	175.066
1- Due to Shareholders	12.2	176.580	175.066
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	29.544.555	28.596.179
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses	19.1	14.162.596	7.058.985
3- Other Payables	19.1	15.381.959	21.537.194
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		689.337.617	607.843.934
1- Unearned Premium Reserve-Net	20	469.833.924	400.786.528
2- Unexpired Risks Reserve-Net	20	2.204.747	316.051
3- Mathematical Reserve-Net		-	-
4- Outstanding Claim Provision-Net	4.1, 20	217.298.946	206.741.355
5- Bonus Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Fiscal Liabilities		13.407.858	13.273.694
1- Taxes and Funds Payable		8.108.318	9.407.915
2- Social Security Withholdings Payable	23.1	938.575	856.815
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		2.779.445	13.982
5- Corporate Tax Provision and Other Fiscal Liabilities	35	3.814.366	5.655.167
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)	35	(2.232.846)	(2.660.185)
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		6.687.921	12.295.015
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23.4	6.687.921	12.295.015
H- Deferred Income and Expense Accruals	19.1	23.364.008	21.439.084
1- Deferred Income	19.1	23.364.008	21.439.084
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities		-	-
III - Total Current Liabilities		859.269.132	778.921.503

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
AT 30 JUNE 2012 AND 31 DECEMBER 2011**

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
TL			
LIABILITIES			
IV- NON-CURRENT LIABILITIES	Note	Reviewed Current Period (30/06/2012)	Audited Previous Period (31/12/2011)
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Operations		-	-
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19,1	9.235.187	9.685.292
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses	19,1	9.235.187	9.685.292
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		20.878.390	19.077.095
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17,2, 20	2.726.796	3.368.712
4- Outstanding Claim Provision - Net		-	-
5- Bonus Provision - Net		-	-
6- Other Technical Reserves - Net	20, 47	18.151.594	15.708.383
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		2.533.256	2.650.075
1- Provision for Employment Termination Benefits	22	2.533.256	2.650.075
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Income		-	-
2- Expense accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Non-Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		32.646.833	31.412.462

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
AT 30 JUNE 2012 AND 31 DECEMBER 2011**

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
TL			
SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Reviewed Current Period (30/06/2012)	Audited Previous Period (31/12/2011)
A- Share Capital		306.000.000	306.000.000
1- (Nominal) Capital	15	306.000.000	306.000.000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital awaiting for registration		-	-
B- Capital Reserves		4.460.787	4.328.261
1- Share Premium		-	-
2- Profit from Stock Abrogation		-	-
3- Sales Profit Addition to the Capital		4.460.787	4.328.261
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		62.763.149	58.937.406
1- Legal Reserves		62.767.184	59.802.506
2- Statutory Reserves		62	62
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11.6, 16	(4.097)	(865.162)
6- Other Profit Reserves		-	-
D- Retained Earnings		1.513.576	1.513.576
1- Retained Earnings		1.513.576	1.513.576
E- Accumulated Deficit (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit for the Period		12.810.669	32.029.319
1- Net Profit for the Period		12.810.669	31.896.793
2- Net Loss for the Period (-)		-	-
3- Net Profit not subject to Distribution		-	132.526
V - Total Shareholders' Equity		387.548.181	402.808.562
Total Liabilities and Shareholders' Equity (III+IV+V)		1.279.464.146	1.213.142.527

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE INTERIM PERIODS 1 JANUARY – 30 JUNE 2012 AND 2011 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Reviewed	Not Reviewed	Reviewed	Not Reviewed
		Current Period 01/01/2012-30/06/2012	Current Period 01/04/2012-30/06/2012	Previous Period 01/01/2011-30/06/2011	Previous Period 01/04/2011-30/06/2011
A- Non-Life Technical Income		481.955.666	237.799.108	383.754.416	204.400.332
1- Earned Premiums – (Net of Reinsurer's Share)		441.942.295	222.462.316	354.792.215	189.558.569
1.1 - Written Premiums – (Net of Reinsurer's Share)	24	506.795.869	244.762.487	463.968.700	220.416.708
1.1.1 - Gross Written Premium (+)		706.031.163	335.681.433	606.598.115	287.265.946
1.1.2 - Reinsurer's Share of Gross Written Premium (-)	17.16	(186.041.560)	(80.961.653)	(142.629.415)	(66.849.238)
1.1.3 - Premiums Ceded to SSI (-)	17.16	(13.193.734)	(9.957.293)	-	-
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(62.964.878)	(20.164.722)	(109.305.668)	(31.173.915)
1.2.1 - Unearned Premiums Reserve (-)		(109.130.236)	(31.867.550)	(127.117.981)	(35.182.020)
1.2.2 - Reinsurer's Share of Unearned Premiums Reserve (+)	17.16	41.271.083	7.224.610	17.812.313	4.008.105
1.2.3 - SSI Share of Unearned Premium Reserve (+/-)	17.16	4.894.275	4.478.219	-	-
1.3 - Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(1.888.696)	(2.135.450)	129.183	315.776
1.3.1 - Unexpired Risks Reserve (-)		(3.510.825)	(4.045.878)	1.619.229	2.607.745
1.3.2 - Reinsurer's Share of Unexpired Risks Reserve (+)	17.16	1.622.129	1.910.428	(1.490.046)	(2.291.969)
2- Investment Income Transferred from Non-Technical Part		18.924.418	8.723.458	8.563.764	6.056.903
3- Other Technical Income - (Net of Reinsurer's Share)		20.619.968	9.527.644	19.616.480	9.759.570
3.1 - Other Gross Technical Income (+)		20.619.968	9.527.644	19.616.480	9.759.570
3.2 - Reinsurer's Share of Other Gross Technical Income (-)		-	-	-	-
4 - Claim Recovery and Salvage Income Accruals (+)		468.985	(2.914.310)	781.957	(974.710)
B- Non-Life Technical Expense (-)		(467.266.273)	(234.411.137)	(378.972.540)	(193.707.429)
1- Incurred Losses - (Net of Reinsurer's Share)		(310.613.942)	(156.597.385)	(255.501.602)	(126.970.511)
1.1 - Paid Claims – (Net of Reinsurer's Share)		(307.748.151)	(148.183.249)	(244.861.744)	(128.387.075)
1.1.1 - Gross Paid Claims (-)		(344.498.366)	(163.997.262)	(289.023.431)	(151.660.751)
1.1.2 - Reinsurer's Share of Gross Paid Claims (+)	17.16	36.750.215	15.814.013	44.161.687	23.273.676
1.2 - Change in Outstanding Claims (Net of Reinsurer's Share and Returned Reserve) (+/-)	29	(2.865.791)	(8.414.136)	(10.639.858)	1.416.564
1.2.1 - Outstanding Claims Provision (-)		(240.120.940)	(34.098.570)	(36.705.087)	(6.805.761)
1.2.2 - Reinsurer's Share of Outstanding Claims Provision (+)	17.16	237.255.149	25.684.434	26.065.229	8.222.325
2 - Change in Bonus Provision (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-	-	-
2.1 - Bonus Provisions (-)		-	-	-	-
2.2 - Reinsurer's Share of Bonus Provisions (+)		-	-	-	-
3 - Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(2.443.212)	(1.147.957)	(2.497.940)	(1.235.919)
4 - Operating Expenses (-)	32	(154.209.119)	(76.665.795)	(120.972.998)	(65.500.999)
5 - Change in Mathematical Reserves (Net of Reinsurer share and Cedd part) (+/-)		-	-	-	-
5.1 - Mathematical Reserves (-)		-	-	-	-
5.2 - Reinsurer Share in Mathematical Reserves (+)		-	-	-	-
6 - Other Technical Expenses (-)		-	-	-	-
6.1 - Gross Other Technical Expenses (-)		-	-	-	-
6.2 - Reinsurer Share in Gross Other Technical Expenses (+)		-	-	-	-
C - Net Technical Income - Non-Life (A - B)		14.689.393	3.387.971	4.781.876	10.692.903
D - Life Technical Income		474.925	238.611	504.733	227.863
1- Earned Premiums – (Net of Reinsurer's Share)		21.640	10.415	68.958	29.832
1.1 - Written Premiums – (Net of Reinsurer's Share)	24	25.098	8.971	68.874	29.769
1.1.1 - Gross Written Premiums (+)		30.421	11.181	89.282	37.678
1.1.2 - Reinsurer's Share of Gross Written Premiums (-)	17.16	(7.325)	(2.210)	(20.410)	(7.909)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Returned Reserve) (+/-)		(1.458)	1.444	86	63
1.2.1 - Unearned Premiums Reserve (-)		2.133	1.444	1.990	1.359
1.2.2 - Reinsurer's Share of Unearned Premiums Reserve (+)	17.16	(3.591)	-	(1.904)	(1.296)
1.3 - Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-	-	-
1.3.1 - Unexpired Risks Reserve (-)		-	-	-	-
1.3.2 - Reinsurer's Share of Unexpired Risks Reserve (+)		-	-	-	-
2- Life Investment Income		311.242	198.961	334.927	162.832
3- Unrealised Investment Income		-	-	-	-
4- Other Technical Income - (Net of Reinsurer's Share)		82.041	29.235	100.848	35.199
4.1 - Gross Other Technical Expenses (+/-)		82.041	29.235	100.848	35.199
4.2 - Reinsurer Share in Gross Other Technical Expenses (+/-)		-	-	-	-
5 - Claim Recovery Income Accruals (+)		-	-	-	-
E - Life Technical Expense		(430.836)	(219.125)	(401.101)	(170.136)
1- Incurred Losses - (Net of Reinsurer's Share)		(920.970)	(579.560)	(963.801)	(509.443)
1.1 - Paid Claims/Net of Reinsurer's Share)		(713.634)	(413.613)	(995.225)	(463.519)
1.1.1 - Gross Paid Claims (-)		(713.634)	(413.613)	(995.225)	(463.519)
1.1.2 - Reinsurer's Share of Gross Paid Claims (+)		-	-	-	-
1.2 - Change in Outstanding Claims (Net of Reinsurer's Share and Returned Reserve) (+/-)	29	(207.336)	(165.947)	31.424	(45.924)
1.2.1 - Outstanding Claim Provisions (-)		(208.273)	(167.453)	26.521	(45.924)
1.2.2 - Reinsurer's Share of Outstanding Claim Provisions (+)	17.16	937	1.506	4.903	-
2 - Change in Bonus Provision (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-	-	-
2.1 - Bonus Provisions (-)		-	-	-	-
2.2 - Reinsurer's Share of Bonus Provisions (+)		-	-	-	-
3 - Change in Life Mathematical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)		643.576	445.595	618.632	366.069
3.1 - Mathematical Reserves (+)		641.916	446.910	618.632	366.069
3.1.1 - Life Mathematical Reserves (-)		1.148.221	225.954	(568.434)	(201.866)
3.1.2 - Profit Share Reserves (+)		(506.305)	(220.956)	1.181.066	164.203
3.2 - Reinsurer Share in Mathematical Reserves (+)		1.660	(1.315)	-	-
3.2.1 - Reinsurer Share in Actuarial Mathematical Reserves (+)		1.660	(1.315)	-	-
3.2.2 - Reinsurer Share of Profit Share Reserve (+)		-	-	-	-
4 - Change in Other Technical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-	-	-
5 - Operating Expenses (-)	32	(150.243)	(83.925)	(55.825)	(17.234)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealised Investment Expense (-)		-	-	-	-
8 - Investment Income Transferred to Non-Life Technical Part (-)		(3.199)	(1.234)	(20.107)	(9.527)
F - Net Technical Income - Life (D - E)		44.087	19.486	103.632	57.727
G - Pension Funds Technical Income		-	-	-	-
1- Fund Management Income		-	-	-	-
2- Management Expense Charge		-	-	-	-
3- Entrance Fee Income		-	-	-	-
4- Management Expense Charge in case of Suspension		-	-	-	-
5- Special Service Expense Charge		-	-	-	-
6- Capital Allowance Value Increase Income		-	-	-	-
7-Other Technical Income		-	-	-	-
H - Pension Funds Technical Expense		-	-	-	-
1- Fund Management Expense (-)		-	-	-	-
2- Capital Allowance Value Decrease Expense (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expenses (-)		-	-	-	-
I - Net Technical Income - Pension Funds (G - H)		-	-	-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE INTERIM PERIODS 1 JANUARY – 30 JUNE 2012 AND 2011

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
					TL
II-NON TECHNICAL PART	Note	Reviewed	Not Reviewed	Reviewed	Not Reviewed
		Current Period 01/01/2012- 30/06/2012	Current Period 01/04/2012- 30/06/2012	Previous Period 01/01/2011- 30/06/2011	Previous Period 01/04/2011- 30/06/2011
C- Net Technical Income-Non-Life (A-B)		14.689.393	3.387.971	4.781.876	10.692.903
F- Net Technical Income-Life (D-E)		44.087	19.486	103.632	57.727
I- Net Technical Income-Pension Funds (G-H)		-	-	-	-
J- Total Net Technical Income (C+F+I)		14.733.480	3.407.457	4.885.508	10.750.630
K- Investment Income		36.357.089	17.788.623	20.996.361	14.748.028
1- Income from Financial Investments	26	11.111.938	5.546.071	10.460.331	4.779.488
2- Income from Liquidation of Financial Investments	26	6.429.241	2.806.991	2.904.909	2.681.467
3- Valuation of Financial Investments	26	11.811.189	5.577.484	2.604.484	4.079.432
4- Foreign Exchange Gains	36	6.847.164	3.785.966	4.893.211	3.141.454
5- Income from Associates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income from Property, Plant and Equipment	26	154.358	70.877	113.319	56.660
8- Income from Derivatives		-	-	-	-
9- Other Investments		-	-	-	-
10- Investment Income Transferred from Life Technical Part		3.199	1.234	20.107	9.527
L- Investment Expense (-)		(28.363.849)	(13.583.331)	(16.797.840)	(10.697.301)
1- Investment Management Expenses (Interest incl.) (-)		-	-	-	-
2- Diminution in Value of Investments (-)		-	-	-	-
3- Loss from Realization of Financial Investments (-)		-	-	-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(18.924.418)	(8.723.458)	(8.563.764)	(6.056.903)
5- Loss from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(6.800.645)	(3.749.122)	(5.880.763)	(3.550.770)
7- Depreciation Expenses (-)	32	(2.638.786)	(1.110.751)	(2.353.313)	(1.089.628)
8- Other Investment Expenses (-)		-	-	-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)	47	(6.101.685)	(2.072.798)	(8.558.905)	(8.154.523)
1- Provisions (+/-)	47	(5.888.911)	(2.761.412)	(7.182.257)	(5.589.222)
2- Rediscounts (+/-)	47	551.086	722.537	426.136	(623.435)
3- Special Insurance Account (+/-)	47	275.205	105.632	211.718	94.817
4- Inflation Adjustment (+/-)		-	-	-	-
5- Deferred Tax Assets (+/-)	35	711.697	782.103	(45.608)	(1.683.927)
6- Deferred Tax Liabilities Expenses (-)		-	-	-	-
7- Other Income	47	559.948	242.982	418.867	106.887
8- Other Expenses (-)	47	(2.310.710)	(1.164.640)	(3.182.395)	(1.254.277)
9- Prior Year's Income	47	-	-	794.634	794.634
10- Prior Year's Expenses (-)		-	-	-	-
N- Net Profit/(Loss) for the Period		12.810.669	3.738.484	525.124	6.646.834
1- Profit/(Loss) for the Period		16.625.035	5.539.951	525.124	6.646.834
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(3.814.366)	(1.801.467)	-	-
3- Net Profit/(Loss) for the Period		12.810.669	3.738.484	525.124	6.646.834
4- Inflation Adjustment		-	-	-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2012 AND 2011

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

AKSİGORTA ANONİM ŞİRKETİ STATEMENTS OF CHANGES IN EQUITY

(Reviewed)

TL

CURRENT PERIOD	Capital	Own Shares of the Company (-)	Valuation Increase in Assets	Inflation Adjustment to the Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit/(Loss) for the Period	Retained Earnings/ (Previous Years' Losses)	Total
I - Balances as previously reported (31/12/2011)	306.000.000	-	(865.162)	-	-	59.802.506	62	4.328.261	32.029.319	1.513.576	402.808.562
II - Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (01/01/2012) (I+II)	306.000.000	-	(865.162)	-	-	59.802.506	62	4.328.261	32.029.319	1.513.576	402.808.562
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gains and losses not recognised in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in assets (Note 16.1)	-	-	861.065	-	-	-	-	-	-	-	861.065
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit/(loss) for the period (Note 37)	-	-	-	-	-	-	-	-	12.810.669	-	12.810.669
I- Dividends paid	-	-	-	-	-	-	-	-	-	(28.932.115)	(28.932.115)
J- Transfer	-	-	-	-	-	2.964.678	-	132.526	(32.029.319)	28.932.115	-
II - Balances at the period end (30/06/2012) (III+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(4.097)	-	-	62.767.184	62	4.460.787	12.810.669	1.513.576	387.548.181

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIODS 1 JANUARY – 30 JUNE 2012 AND 2011**

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

AKSİGORTA ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY
(Reviewed)

TL

PREVIOUS PERIOD	Capital	Own Shares of the Company (-)	Valuation Increase in Assets	Inflation Adjustment to the Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit/(Loss) for the Period	Retained Earnings/ (Previous Years' Losses)	Total
I - Balances as previously reported (31/12/2010)	306.000.000	-	-	-	-	59.802.506	62	4.046.557	1.476.010	319.270	371.644.405
II - Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (01/01/2011) (I+II)	306.000.000	-	-	-	-	59.802.506	62	4.046.557	1.476.010	319.270	371.644.405
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gains and losses not recognised in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in assets	-	-	(1.303.281)	-	-	-	-	-	-	-	(1.303.281)
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit/(loss) for the period(Note 37)	-	-	-	-	-	-	-	-	525.124	-	525.124
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	281.704	(1.476.010)	1.194.306	-
II- Balances at the period end (30/06/2011) (III+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(1.303.281)	-	-	59.802.506	62	4.328.261	525.124	1.513.576	370.866.248

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIODS 1 JANUARY – 30 JUNE 2012 AND 2011**

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

AKSİGORTA ANONİM ŞİRKETİ CASH FLOW STATEMENT			
			TL
	Note	Reviewed Current Period (30/06/2012)	Reviewed Previous Period (30/06/2011)
A. CASH GENERATED FROM MAIN OPERATIONS			
1. Cash flows from insurance operations		627.158.238	622.585.072
2. Cash flows from reinsurance operations		-	-
3. Cash flows from private pension funds operations		-	-
4. Cash outflows from insurance operations (-)		(546.086.678)	(547.631.704)
5. Cash outflows from reinsurance operations (-)		(32.416)	-
6. Cash outflows from private pension funds operations (-)		-	-
7. Net Cash from main operations (A1+A2+A3-A4-A5-A6)		81.039.144	74.953.368
8. Interest payment (-)		-	-
9. Income tax payment (-)		(5.655.167)	(6.682.726)
10. Other cash inflows		17.038.119	33.633.792
11. Other cash outflows (-)		(36.200.327)	(75.032.372)
12. Net cash provided by main operations	39	56.221.769	26.872.062
B. CASH FLOWS FROM INVESTING OPERATIONS			
1. Sale of tangible assets		100.607	390.511
2. Tangible assets acquisition (-)		-	(309.750)
3. Financial assets acquisition (-)		(237.464)	165.088.395
4. Sales of financial assets		7.607.856	-
5. Interest received		22.592.858	14.822.641
6. Dividends received		-	-
7. Other cash inflows		14.689.104	4.851.971
8. Other cash outflows (-)		(35.257.021)	(15.727.723)
9. Net Cash from investing activities	39	9.495.940	169.116.045
C. CASH FLOWS FROM FINANCING OPERATIONS			
1. Issue of shares		-	-
2. Cash inflows due to the borrowings		-	-
3. Leasing payments (-)		-	-
4. Dividends paid (-)		(28.932.115)	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Net cash used in financing activities	39	(28.932.115)	-
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		-	-
E. Net increase in cash and cash equivalents (A12+B9+C7+D)		36.785.594	195.988.107
F. Cash and cash equivalents at the beginning of the period	14	647.651.674	274.186.231
G. Cash and cash equivalents at the end of the period (E+F)	14	684.437.268	470.174.338

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

1. General Information

1.1 Name of the Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of 30 June 2012. 38,02% (31 December 2011: 38,02%) of the Company is issued in İstanbul Stock Exchange (“İMKB”) (Note 2.14).

Agreement about the sale of 50% of 18.965.880.200 units of Aksigorta A.Ş. shares with nominal value of TL 189.658.802 that belong to H.Ö. Sabancı Holding (“Holding”) portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding’s portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220.029.000 except for adjustments to sale price.

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

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

1.3 Main operations of the Company

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

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

Explained in Note 1.2 and Note 1.3.

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

	<u>1 January - 30 June 2012</u>	<u>1 January - 31 December 2011</u>
Top executive	11	10
Manager and assistant manager	86	82
Specialist/responsible	527	527
Total	<u>624</u>	<u>619</u>

1.6 Remuneration and fringe benefits provided to top management

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 2.554.763 in total for 1 January - 30 June 2012, (1 April - 30 June 2012: TL 1.757.579), (1 January - 30 June 2011: TL 2.302.628), (1 April - 30 June 2011: TL 810.176).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

1. General Information (Continued)

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

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

1.8 Stand-alone or consolidated financial statements

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of 30 June 2012.

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

Name and other identification information of the Company are disclosed in Notes 1.1, 1.2, and 1.3 and there have been no changes in this information after the prior balance sheet date.

1.10 Subsequent Events

The Company’s financial statements are approved and authorized for issuance as of 14 August 2012 by the Board of Directors and signed by General Manager Uğur Gülen in the name of the Board of Directors, Assistant General Manager Erkan Şahinler, Accounting Manager Gülnur Tüccar and legal auditors. Detail information about this issue is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1). Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 June 2008 and numbered 2012/7 and dated 31 May 2012 Communiqué regarding the Presentation of the New Account Codes and Financial Statements.

The Company accounts and recognizes its insurance technical provisions in its consolidated financial statements as of 30 June 2012 in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” (“Regulation on Technical Reserves”) dated 28 July 2010 published in official gazette numbered 27655 and changes on this regulation on 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Treasury.

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

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

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury’s statement no: 19387 issued on 4 April 2005, the Company’s financial statements as of 31 December 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on 15 November 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as at 30 June 2012, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of 31 December 2004 (for inputs prior to 31 December 2004) and carrying inputs subsequent to 31 December 2004 at nominal value.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of 30 June 2012 is presented in comparison with the balance sheet as of 31 December 2011. The Company’s income statement, statement of changes in equity and cash flow statement for the interim period 30 June 2012 are presented in comparison with the income statement, statement of changes in equity and cash flow statement for the the interim period 30 June 2011.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

c. Technical provisions

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written, except for marine premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and end at 12:00 noon again. Within the framework of the Regulation on Technical Reserves, unearned premium reserve and the reinsurers’ share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. For cargo insurance policies with unspecified termination date, unearned premium reserve is accounted for as the 50% of premiums written in the last three months (Note 20).

Deferred commission expense and income

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

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

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

In accordance with the Communiqué numbered 2011/18, in the calculation of expected loss ratio used for the calculation of unexpired risk reserve as of 30 June 2012, all amounts related to the premiums and losses to be ceded to SSI are required to be deducted from the numerator and denominator. In this context, the amounts related to prior year premiums are calculated based on the principles used in the calculation of current year ceded premiums and opening unearned premium reserve used for the calculation of unexpired risk reserve has been restated for the related branches. During this calculation, the announced amounts stated in the Communiqué numbered 2011/17 for the compulsory traffic policies have been discounted by 8% for the policies written before 31 December 2010. On the other hand, the treatment expenses in the context of the Law and the effects of such expenses are excluded from the paid claims, opening and closing outstanding claim provisions including incurred but not reported claims included in the calculation.

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 2.204.747 as of 30 June 2012 (31 December 2011: TL 316.051) (Note 20).

Outstanding claims provision

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

The difference between the reported outstanding claims; and the amount determined with actuarial chain ladder calculations as determined in the Regulation on Technical Reserves and the framework of the “Communiqué related to the Actuarial Chain Ladder Method” (“Communiqué”) dated 30 September 2010 and numbered 2010/12, is accounted for as incurred but not reported claim amount.

In accordance with the Communiqué which is effective from 30 September 2010, the insurance companies has to make the calculations on each branch based on actuarial chain ladder method (“ACLM”) with using 5 methods which are mentioned in the Communiqué which are all based on incurred loss (total of outstanding and paid claims). The right of selecting one of the methods is given to the insurance companies which will make the calculations for the first time as at 30 September 2010. The companies will determine the method for each branch as at 31 December 2010 by evaluating the best adequate method for the portfolio company and will not change the method for 3 years. The peak claims which are mentioned as big claims are eliminated in a individual file by using prescribed statistical methods in the Communiqué in order to make the ACLM calculations with a more homogeneous data set. Additionally, the ACLM calculations are performed on gross basis and the net amounts are determined according to in force reinsurance treaties of the Company.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

In accordance with the circular dated 26 December 2011 and numbered 2011/23 “Explanations Related Calculation of Incurred But Not Reported Claims Provision (IBNR)” (the “Circular numbered 2011/23”), unlike the previous year, accrued claim recovery, salvage income is taken into account in ACLM calculations as of 30 June 2012. In addition, according to the Circular numbered 2011/23, negative results in the ACLM calculations are fully included in IBNR calculation.

In accordance with the “Regulation to Revise the Regulation Regarding to Technical Reserves of the Insurance, Reinsurance and Retirement Companies and the Assets on which These Reserves are Placed” dated 17 July 2012 and published in the Official Gazette numbered 28356, starting from 30 June 2012, the calculation method used for testing of the adequacy of the result for incurred but not reported claim amount calculated by ACLM is cancelled.

As discussed in Note 2.15, in accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in “Compulsory Transportation Liability”, “Compulsory Traffic”, “Bus Compulsory Personal Accident”, outstanding claim files regarding to the claims dated before the enforcement of the Law are closed and the related amount has been classified under “Paid Claims”. Besides, the treatment expenses in the context of the Law and the effects of such expenses are excluded from the paid claims, opening and closing outstanding claim provisions including incurred but not reported claims included in the calculation. The paid and outstanding claims; and salvage and claim recovery income related to the treatment expenses in the context of the Law are excluded from incurred but not reported claim provision and claim adequacy calculations as of 30 June 2012.

As of 30 June 2012, the Company could not eliminate the treatment expenses systematically from the data used in the calculations of incurred but not reported claims provision. In accordance with the Communiqué named “Communiqué about the Use of Equalization Reserve and Additional Explanations Related to Some Communiqués”, dated 13 February 2012 and numbered 2012/12 (“Communiqué no: 2012/1”), companies that cannot eliminate the treatment expense in the context of Law systematically, are allowed to use the realized ratios in the paid claims for the outstanding claims data if they can. Companies who cannot eliminate the treatment expense also from their paid claims; are allowed to calculate the share of treatment expenses from the realized paid claims in March, June, September and December of 2008 and deduct the treatment expenses by this ratio from the data used for the calculation of incurred but not reported claims reserve.

The Company has eliminated the treatment expense in the context of Law from the realized claims in March, June, September and December 2008 and as a result of this elimination, determined the share of treatment expense as 2% for the compulsory traffic branch to be used in the calculation of incurred but not reported claims reserve.

In accordance with the Communiqué, during the determination of incurred but not reported claims reserve recognized in the financial statements, minimum 80% of the result for 2010, minimum 90% of the result in 2011 and all of the result in 2012 should be taken into consideration. The Company has taken 100% (31 December 2011: 100%) of the incurred but not reported claims reserve into consideration and recognized additional claim reserve amounting to TL 26.162.064 as of 30 June 2012 (31 December 2011: TL 33.405.711).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)**

In accordance with “The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)” dated 26 December 2011 and numbered 2011/23 (the “Communiqué numbered 2011/23”), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 30 June 2012. The Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favour of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years time as of 30 June 2012. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. Since the Company does not have historical information for 5 years, in accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 15% for the branches with winning ratios over 15%. The Company has made the calculation from the information in gross basis and has determined reinsurance share of the discounted amount based on the average reinsurance share of legal claim files in branch basis.

The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 9.355.367 at 30 June 2012 (31 December 2011 : TL 8.805.614). Besides, in accordance with the Communiqué numbered 2011/23, claim amounts are taken into consideration without any deduction for all calculations performed to determine incurred but not reported claim provision.

The winning ratios calculated on a sub-branch basis as of 30 June 2012 and 31 December 2011, are explained below:

Sub-branch	30 June 2012	31 December 2011
Third Party Liability	15.0%	15.0%
Electronic Device	0.4%	15.0%
Commodity	15.0%	15.0%
Personal Accident	15.0%	15.0%
Theft	15.0%	15.0%
Employee Financial Liability	15.0%	15.0%
Motor Vehicles Third Party Liability	15.0%	15.0%
Construction	15.0%	15.0%
Employment	15.0%	15.0%
Motor Own Damage	15.0%	15.0%
Machinery Break	15.0%	15.0%
Professional Liability	15.0%	15.0%
Bus Compulsory Personal Accident	7.2%	15.0%
Health	15.0%	15.0%
Water Craft	15.0%	11.0%
Compulsory Traffic	15.0%	15.0%
Fire	15.0%	15.0%
Compulsory Earthquake	15.0%	15.0%
Compulsory Highway Transportation Third Party Liability	11.8%	6.0%

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

In accordance with the Communique, Company has selected the most appropriate method based the structure of the company portfolio and in accordance with the decision the Actuary of the Company as of 31 December 2010, has used these methods selected during the calculations performed as of 30 June 2012 and 31 December 2011. The gross and net reserve amounts on branch basis calculated by using Test IBNR method as of 31 December 2011 and the gross and net reserve amounts on branch basis calculated by using ACLM as of 30 June 2012 are explained below:

Branch	30 June 2012			31 December 2011	
	Applied Method (**)	ACLM		IBNR	
		Gross Reserve (100%)	Additional Net Reserve (100%)	Gross Reserve (100%)	Additional Net Reserve (100%)
Fire and Natural Disaster (*)	Munich Chain	1.048.806	292.667	3.361.078	922.438
Marine	Munich Chain	7.102.246	2.337.863	1.250.837	453.606
Accident (*)	Munich Chain	132.576	79.505	1.558.181	993.722
Motor Own Damage	Munich Chain	(25.276.790)	(23.495.320)	(15.473.307)	(13.937.729)
Air Vehicles (*)	Munich Chain	(42)	-	-	-
Water Crafts (*)	Munich Chain	243.012	44.639	247.849	31.468
General Losses (*)	Munich Chain	85.907.467	2.063.680	3.850.941	753.531
Motor Third Party Liability (*)	Munich Chain	40.763.304	38.040.990	44.771.676	40.089.638
Air Crafts Liability	Munich Chain	2.497	-	526.929	-
General Liability (*)	Munich Chain	16.605.881	3.813.051	5.506.037	1.218.792
Financial Losses (*)	Standard Chain	2.620.422	2.424.488	1.171.097	886.123
Legal Protection (*)	Munich Chain	940.109	940.109	38.599	34.739
Credit	Munich Chain	97.840	98	847.196	-
Health	Standard Chain	(130.654)	(128.349)	1.913.014	1.873.918
Fidelity Guarantee	Munich Chain	(915.296)	(251.357)	310.501	85.465
Total		129.141.378	26.162.064	49.880.628	33.405.711

(*) For the branches with negative results according to the ACLM calculation, 100% (31 December 2011: 50%) of the negative results is taken into account according to the Communiqué dated 26 December 2011 numbered 2011/23.

(**) In accordance with the letter of the Treasury dated 9 April 2012 and numbered B.02.1.HZN.0.10.03.01, the Company has changed the method in ACLM calculations of Financial Losses and Health branches since the results of Munich Chain Ladder was quite high and the methodology has been considered as incompatible with the Company's data structure. Accordingly, Standard Chain Ladder Method has been selected for the next three years.

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

Branch	30 June 2012	31 December 2011
Motor Third Party Liability	89,048	87,660

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Equalization Reserve

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

The insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalisation reserve, provided that no deduction has been made from current year charge to the reserve. The Company has not made any deduction from equalisation reserve related to the earthquake occurred in 2011 as of 30 June 2012.

The Company has accounted for an equalisation reserve of TL 18.151.594 as of 30 June 2012 (31 December 2011: TL 15.708,383) (Note 20).

Life profit share and mathematical reserves

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

Mathematical reserve; is the reserve for the payments guaranteed by the insurance companies operating in life business as the policy is matured. In accordance with the Insurance Law, life mathematical reserve is calculated based on the saving premium calculated by deducting risk premium, commissions and other expenses from total premium collected. In calculation of the mathematical reserves, mortality tables prepared abroad and valid for Turkish insurance companies are used. The profit share reserve is accounted for the income generated from investments provided by these provisions (Note 20).

d. Subrogation and salvage income

Within the framework of the “Circular on Salvage and Subrogation Income” numbered 2010/13 and dated 20 September 2010 issued by the Undersecretariat for the Treasury, the Company recognizes receivables from salvage and subrogation under the account “Receivables from main operations” on an accrual basis as of 30 June 2012 up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquittance or document agreed on payment from individuals and notification is made to individuals or insurance company. Doubtful receivables provision for these receivables is accounted in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim and the amount is classified under provision for receivables from reinsurance operations in the balance sheet.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Accordingly, net accrued receivables from salvage and subrogation are TL 16.065.346 (31 December 2011: TL 17.826.702), doubtful receivables provision for these receivables from salvage and subrogation is TL 2.711.575 (31 December 2011: TL 1.935.641) (Note 12.1).

The amounts of the net salvage and subrogation income which are collected during the period and the accrued income amounts from salvage and subrogation receivables as of the end of the period related to the claims paid by the Company are as follows:

	30 June 2012					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1.001.954	(473.623)	528.331	662.110	(82.808)	579.302
Marine	1.018.732	(426.698)	592.034	23.029	(929)	22.100
Accident	67.090	-	67.090	-	-	-
Motor Own Damage	97.740.644	(6.844.575)	90.896.069	14.913.673	(1.043.948)	13.869.725
Water Crafts	7.927	(5.746)	2.181	-	-	-
General Losses	7.520	(3.042)	4.478	25.818	(17.152)	8.666
Motor Third Party Liability	2.134.641	(149.854)	1.984.787	1.702.246	(119.157)	1.583.089
Fidelity Guarantee	750	(638)	112	-	-	-
General Liability	37.049	-	37.049	2.965	(501)	2.464
Financial Losses	530	(477)	53	-	-	-
Total	102.016.837	(7.904.653)	94.112.184	17.329.841	(1.264.495)	16.065.346

	31 December 2011					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1.302.287	(759.342)	542.945	767.667	(148.391)	619.276
Marine	2.191.969	(1.757.007)	434.962	26.700	(1.665)	25.036
Accident	251.476	(85.436)	166.040	-	-	-
Motor Own Damage	140.083.697	(16.380.147)	123.703.550	17.291.291	(1.870.739)	15.420.552
Water Crafts	2.912	(2.912)	-	-	-	-
General Losses	72.640	(39.067)	33.573	29.934	(30.736)	(802)
Motor Third Party Liability	3.342.291	(376.834)	2.965.457	1.973.627	(213.528)	1.760.100
Fidelity Guarantee	26.750	(18.633)	8.117	-	-	-
Legal Protection	12.196	(1.220)	10.976	-	-	-
General Liability	32.157	(21.955)	10.202	3.438	(898)	2.540
Financial Losses	-	-	-	-	-	-
Health	873	-	873	-	-	-
Total	147.319.248	(19.442.553)	127.876.695	20.092.658	(2.265.956)	17.826.702

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are calculated for the policies in effect as of the balance sheet date on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims as of the period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding claim provisions are netted off in these reserves.

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323 and IAS 39 Impairment Principles, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. The Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 17.634.962 (31 December 2011: TL 17.788.654), provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 2.883.354 (31 December 2011: TL 2.883.354). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 23.925.543 (31 December 2011: TL 20.919.266) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Rediscount of Receivables and Payables

Receivables and payables from insurance operations are carried at book values in the financial statements. Since IFRS 4 is not applicable, these receivables and payables are amortized in accordance with IAS 39 and measured at their costs.

h. Earnings per Share

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

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

i. Subsequent Events

Subsequent events include all events between the balance sheet date and the issuance of the financial statements, even if they are occurred after the issuance of other financial information or the announcement about the profit publicly.

The Company revises its financial statements in accordance with this new situation in the occurrence of any subsequent events which have impact on financial statements (Note 46).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

j. Provisions, Contingent Liabilities and Assets

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

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

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

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements (Note 23.2).

k. Changes in Accounting Policies, Accounting Estimates and Errors

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

l. Taxation and deferred tax

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

Corporate Tax

Corporate tax for 2012 is payable at a rate of 20% in Turkey (2011: 20%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government. .

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

According to Turkish tax legislation, tax losses on the returns can be offset against period income for up to 5 years. However, tax losses cannot be offset against retained earnings.

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

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Assets and liabilities mentioned above cannot be accounted for if they originate because of taking the temporary difference, goodwill and other assets and liabilities, which do not affect the commercial or financial profit/loss, in the financial tables for the first time.

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.2 Other related accounting policies for the understanding of financial statements

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

2.1.3 Functional currency

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

2.1.4 Rounding degree used in the financial statements

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

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

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

2.1.6 Adoption of New and Revised Standards

Changes in Turkish Financial Reporting Standards:

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

- TFRS 7 (amendment), “Financial Implements: Explanations”, (Effective for annual periods starting on or after 1 July 2011),
- TFRS 1 (amendment), “First time Appliace of IFRS”, (Effective for annual periods starting on or after 1 July 2011),
- TAS 12 (revised), “Income Taxes”, (Effective for annual periods starting on or after 1 January 2012),

Standards, amendments and interpretations not yet effective and not early adopted by the Company:

- TAS 1, (revised), “Presentation of Financial Statements” (Effective for annual periods starting on or after 1 July 2012),
- TAS 19 (revised), “Employee Benefits” (Effective for annual periods starting on or after 1 January 2013),
- TFRS 9, “Financial Instruments”, (Effective for annual periods starting on or after 1 January 2015),
- TFRS 10, “Consolidated Financial Statements” (Effective for annual periods starting on or after 1 January 2013),
- TFRS 11, “Common Regulations” (Effective for annual periods starting on or after 1 January 2013).
- TFRS 12, “Disclosures related to the shares on other institutions” (Effective for annual periods starting on or after 1 January 2013).
- TFRS 13, “Fair Value Calculation” (Effective for annual periods starting on or after 1 January 2013).
- TAS 27 (revised), “Non-consolidated financial statements” (Effective for annual periods starting on or after 1 January 2013)
- TAS 28 (revised), “Subsidiaries and Shareholders” (Effective for annual periods starting on or after 1 January 2013)
- TFRIC 20, “Dismantling Costs During Production Related with Mines”, (Effective for annual periods starting on or after 1 January 2013),
- TFRS 7 (amendment), “Financial Implements: Explanations”, (Effective for annual periods starting on or after 1 January 2013),
- TAS 32 (amendment), “Financial Implements: Presentation”, (Effective for annual periods starting on or after 1 January 2014),

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.1.6 Adoption of New and Revised Standards (Continued)

- TFRS 1 (amendment), "First time Appliance of IFRS", (Effective for annual periods starting on or after 1 January 2013),
- Within the scope of developing the TFRS's, amendments have been made within 5 standards; TFRS 1, TAS 1, TAS 16, TAS 32 and TAS 34. Effective for annual periods starting on or after 1 January 2013.

The Company management is of the view that applying these standards and interpretations above will not materially affect the financial statements in future periods.

2.2 Consolidation

The Company disposed of AvivaSA Emeklilik ve Hayat A.Ş., its joint venture, on 14 January 2010 by means of a partial spin-off and has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IAS 27 – Consolidated and Unconsolidated Financial Statements" as of 30 June 2012 (31 December 2011: None).

2.3 Segment Reporting

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

2.4 Discontinued Operations

The company does not have any discontinued or disposed operations as of 30 June 2012 and 31 December 2011.

2.5 Foreign Currency Translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.6 Property, Plant and Equipment

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

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

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

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

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

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

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

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

2.7 Investment Properties

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

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

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

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

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

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

2.9 Financial Assets

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

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

Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss”, “held-to-maturity investments”, “available-for-sale” financial assets and “loans and receivables”. The Company does not have any financial assets classified as held-to-maturity investments as of 30 June 2012 (31 December 2011: None).

Effective interest method

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

Financial assets at fair value through profit and loss (Held-for-trading financial assets)

Income related to the financial assets except for the financial assets at fair value through profit and loss is calculated by using the effective interest method.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset can be classified as financial asset at fair value through profit and loss, if it is acquired principally for the purpose of selling in the short-term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Financial assets at fair value through profit and loss are classified as current assets.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

Available-for-sale financial assets

Investments other than “financial assets held-to-maturity”, “financial assets held for trading”, and “loans and receivables” are described as available-for-sale financial assets.

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

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

Financial asset risks attributable to life insurance policyholders

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

Loans and receivables

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

Associates and Affiliates

An associate is an entity that retains at the shares of voting rights or has significant power over another entity although its share is over 10%. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders’ equity and assets that have fair value are carried at fair value while the other assets are carried at book value.

2.10 Impairment of Assets

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets (Continued)

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

Impairment of financial assets

The Company assesses its financial assets or group of financial assets, other than financial asset at fair value through profit and loss, whether there are any indicator of impairment as of each balance sheet date.

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

For loans and receivables, the amount of the impairment is the difference between the asset’s carrying amount and the present value of expected future cash flows calculated by discounting with the effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in the income statement.

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

Any increase in fair value of available-for-sale financial assets subsequent to an impairment loss is recognized directly in equity.

2.11 Derivative Financial Instruments

None (31 December 2011: None).

2.12 Netting of Financial Instruments (Offsetting)

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 14).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.14 Share Capital

As of 30 June 2012, the Company’s nominal capital is TL 306.000.000 (31 December 2011: TL 306.000.000). Share capital is represented by 30.600.000.000 of equity shares having a nominal amount of TL 0,01 each. The share capital structure of the Company is as follows:

	30 June 2012		31 December 2011	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	35,86	109.742.624	33,11	101.322.754
Ageas Insurance International NV	35,86	109.742.624	33,11	101.322.754
Other	28,28	86.514.752	33,78	103.354.492
	100,00	306.000.000	100,00	306.000.000

Agreement about the sale of 50% of 18.965.880.200 units of Aksigorta A.Ş. shares with nominal value of TL 189.658.802 that belong to H.Ö. Sabancı Holding (“Holding”) portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding’s portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220.029.000 except for adjustments to sale price.

Company’s ultimate owners have purchased Aksigorta shares in circulation in Istanbul Stock Exchange amounting to 1.683.974.000 units in total and increased their shares equally between 31 December 2011 and 30 June 2012.

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

As of 30 June 2012, the Company’s registered share capital is TL 500.000.000 (31 December 2011: TL 500.000.000).

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

2.15 Insurance and Investment Contracts - Classification

Insurance Contracts:

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

The insurance contracts and the reinsurance contracts hold by the Company are also included in the the classification of insurance contracts.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts - Classification (Continued)

Insurance Contracts (cont’d):

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

Investment Contracts:

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

Reinsurance agreements

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

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

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

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

Premiums Transferred to Social Security Institution

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts - Classification (Continued)

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 27 August 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 15 September 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated 17 October 2011 (the “Communiqué numbered 2011/18”), the regulation(the “Communique numbered 2012/3”) making changes in “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 16 March 2012 and numbered 2012/3 and the communique about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 30 April 2012 and numbered 2012/6 (Note 2.24) (the “Communique numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of 25 February 2011 the notice numbered 2012/3 and the communique numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Group has calculated the amount of the premiums to be ceded to SSI in 1 January - 30 June 2012 interim account period as TL 13.193.734 and an unearned premium reserve amounting to TL 11.197.931 as of 30 June 2012; classified under the accounts of “Premiums ceded to SSI” and “Change in SSI share of of Unearned Premiums Reserve”, respectively (Note 19.)

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

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (31 December 2011: None).

2.17 Investment Contracts without Discretionary Participation Features

None (31 December 2011: None).

2.18 Borrowings

None (31 December 2011: None).

2.19 Taxes

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The effective tax rate used in 2012 and 2011 is 20 %.

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2012 and 2011 is 20%. Losses are allowed to be carried maximum 5 years in order to deduct from the taxable profit of the following years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the dates 1-25 April, following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.19 Deferred Tax (Continued)

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 by the end of 22 July 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

2.20 Employee Benefits

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

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

2.21 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

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

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.22 Accounting of revenues

Written Premium & Commission Income

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

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

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

Interest income and expense

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

Dividend income

Dividend income is recognized as an income in the financial statements when the right to receive payment is established.

2.23 Finance Lease - the Company as lessee

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

Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lesser is classified as the leasing payables in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Financial charges except for the portion capitalized, are recorded in the income statement except for the portion capitalized in accordance with the company's general policy of borrowing explained above in detail.

The payment of the finance lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lesser are also charged to the income statement on a straight-line basis over the lease period).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

2. Summary of the Accounting Policies (Continued)

2.24 Profit Share Distribution

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

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

2.25 Convenience translation into English

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

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

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

4.1.2.1 Sensitivity to insurance risk

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

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

Reinsurance contracts include excess of loss, quota-share, surplus and catastrophic coverage. In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

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

The Company issues insurance contracts in fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company’s gross and net insurance risk concentrations (net off reinsurance share) are summarized as below:

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

4 Insurance and Financial Risk Management (Continued)

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

	30 June 2012			31 December 2011		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Fire and Natural Disaster	37.620.810	(26.283.353)	11.337.457	29.413.275	(21.129.185)	8.284.090
Marine	19.628.596	(13.167.231)	6.461.365	10.181.490	(6.488.775)	3.692.715
Accident	2.492.408	(993.212)	1.499.196	3.770.624	(1.412.661)	2.357.963
Motor Own Damage	48.354.258	(3.384.549)	44.969.709	60.230.197	(6.990.312)	53.239.885
Air Crafts	-	-	-	1	-	1
Water Crafts	590.271	(480.117)	110.154	1.179.481	(1.026.113)	153.368
General Losses	243.355.496	(237.672.829)	5.682.667	23.754.362	(18.310.114)	5.444.248
Motor Third Party Liability	116.662.538	(8.153.267)	108.509.271	116.543.707	(13.450.068)	103.093.639
Air Crafts Liability	1.463.355	(1.463.355)	-	2.044.451	(2.044.451)	-
General Liability	33.535.345	(25.752.725)	7.782.620	19.407.763	(15.084.725)	4.323.038
Financial Losses	5.794.172	(433.446)	5.360.726	4.251.380	(1.037.822)	3.213.558
Legal Protection	1.030.637	-	1.030.637	94.301	(9.430)	84.871
Credit	187.840	(187.652)	188	847.196	(847.196)	-
Health	20.927.831	(369.277)	20.558.554	19.328.940	(395.027)	18.933.913
Fidelity Guarantee	213.919	(155.173)	58.746	689.365	(499.619)	189.746
Life	3.941.742	(4.086)	3.937.656	3.733.469	(3.149)	3.730.320
Total	535.799.218	(318.500.272)	217.298.946	295.470.002	(88.728.647)	206.741.355

(*) Total claim liability includes all outstanding claims reserves as of the balance sheet date and incurred but not reported claims reserve calculated based on ACLM method.

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

Outstanding Claims Reserve:

	30 June 2012			31 December 2011			
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(17.593.902)	402.716.098	(215.516.872)	187.199.226	241.855.905	(72.250.581)	169.605.324
Claim Provisions (*)	7.243.647	129.141.378	(102.979.314)	26.162.064	49.880.628	(16.474.917)	33.405.711
Clean-cut Effect (**)	7.484.464	-	-	-	-	-	-
Non-life Total	(2.865.791)	531.857.476	(318.496.186)	213.361.290	291.736.533	(88.725.498)	203.011.035
Life	(207.336)	3.941.742	(4.086)	3.937.656	3.733.469	(3.149)	3.730.320
Grand Total	(3.073.127)	535.799.218	(318.500.272)	217.298.946	295.470.002	(88.728.647)	206.741.355
	30 June 2011			31 December 2010			
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(28.237.791)	277.415.480	(92.668.856)	184.746.624	241.980.996	(85.472.163)	156.508.833
Claim Provisions (*)	10.224.420	57.714.060	(23.110.201)	34.603.859	56.443.423	(11.615.144)	44.828.279
Clean-cut Effect (**)	7.373.513	-	-	-	-	-	-
Non-life Total	(10.639.858)	335.129.540	(115.779.057)	219.350.483	298.424.419	(97.087.307)	201.337.112
Life	31.424	3.752.914	(9.827)	3.743.087	3.779.414	(4.903)	3.774.511
Grand Total	(10.608.434)	338.882.454	(115.788.884)	223.093.570	302.203.833	(97.092.210)	205.111.623

(*) Claim provisions include all additional provisions except for unpaid claims provision in the total outstanding claim reserve as at the balance sheet date.

(**) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized the release of premium and claims portfolio as of 31 December 2011. According to the same agreement, admission of the portfolio is also realized in 2012. The effects of the admission of portfolio are included in carried forward reinsurance share of outstanding claims provision and carried forward reinsurance share of unearned premiums provision.

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

4 Insurance and Financial Risk Management (Continued)

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

	30 June 2012			30 June 2011		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of Period	241.855.905	(72.250.581)	169.605.324	241.980.996	(85.472.163)	156.508.833
Opened in the Period	506.072.193	(180.016.506)	326.055.687	325.453.140	(51.358.380)	274.094.760
Paid from Current Period (-)	(245.673.462)	26.153.646	(219.519.816)	(206.394.585)	31.428.092	(174.966.493)
Paid from Previous Period (-)	(99.538.538)	10.596.569	(88.941.969)	(83.624.071)	12.733.595	(70.890.476)
Period End						
Reported Claims	402.716.098	(215.516.872)	187.199.226	277.415.480	(92.668.856)	184.746.624

The claim development table used in chain ladder calculation in accordance with the Regulation on Technical Reserves is explained below:

Gross claim development table prepared in accordance with realized claim principal as of 30 June 2012:

Accident period	1 July 2005-30 June 2006	1 July 2006-30 June 2007	1 July 2007-30 June 2008	1 July 2008-30 June 2009	1 July 2009-30 June 2010	1 July 2010-30 June 2011	1 July 2011-30 June 2012	Gross Claim
Claim realized in the accident period	754.608.218	81.485.680	56.473.751	58.506.454	47.023.266	41.225.749	22.631.677	1.061.954.795
1 year later	940.380.316	97.051.583	58.861.375	55.507.653	50.958.681	24.850.499	-	1.227.610.107
2 years later	935.734.641	110.124.776	64.609.513	57.516.985	29.376.728	-	-	1.197.362.643
3 years later	1.174.566.201	216.301.922	137.113.310	54.842.664	-	-	-	1.582.824.097
4 years later	1.141.061.314	125.169.799	45.145.487	-	-	-	-	1.311.376.600
5 years later	1.129.062.929	68.479.040	-	-	-	-	-	1.197.541.969
6 years later	1.471.048.594	-	-	-	-	-	-	1.471.048.594
Total Gross Claims	7.546.462.213	698.612.800	362.203.436	226.373.756	127.358.675	66.076.248	22.631.677	9.049.718.805

Gross claim development table prepared in accordance with realized claim principal as of 31 December 2011:

Accident period	1 January 2005-31 December 2005	1 January 2006-31 December 2006	1 January 2007-31 December 2007	1 January 2008-31 December 2008	1 January 2009-31 December 2009	1 January 2010-31 December 2010	1 January 2011-31 December 2011	Gross Claim
Claim realized in the accident period	582.004.908	67.088.556	69.300.927	61.082.044	59.769.751	40.727.433	14.185.749	894.159.368
1 year later	1.013.555.872	101.939.985	57.631.617	60.386.803	52.818.885	24.745.724	-	1.311.078.886
2 years later	828.808.540	106.923.243	55.980.948	52.259.749	27.873.946	-	-	1.071.846.426
3 years later	1.026.304.101	129.659.614	72.373.133	47.010.891	-	-	-	1.275.347.739
4 years later	1.208.258.415	198.337.329	103.214.508	-	-	-	-	1.509.810.252
5 years later	1.119.612.753	89.473.205	-	-	-	-	-	1.209.085.958
6 years later	1.079.104.099	-	-	-	-	-	-	1.079.104.099
Total Gross Claims	6.857.648.688	693.421.932	358.501.133	220.739.487	140.462.582	65.473.157	14.185.749	8.350.432.728

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

Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized the release of premium and claims portfolio as of 31 December 2011. According to the same agreement, admission of the portfolio is also realized in 2012. The effects of the admission of portfolio are included in returned reinsurance share of outstanding claims provision and returned reinsurance share of unearned premiums provision.

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4 Insurance and Financial Risk Management (Continued)

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

The Company’s objective in capital management is to safeguard the Company’s ability to continue as a going concern so that it can continue and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its capital adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on 19 January 2008. As at 30 June 2012, the minimum capital requirement of the Company is TL 291.395.506 (31 December 2011: TL 285.755.747). The Company’s capital as of 30 June 2012 is TL 114.305.296 (31 December 2011: TL 132.761.200) higher than the minimum capital requirement.

4.2.2 Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk through its financial assets, reinsurance assets and insurance liabilities. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company’s financial performance. The Company’s exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and market differences of equity shares.

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of 31 December 2011 are disclosed in Note 12.4.

Sensitivity to foreign currency risk

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

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4 Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Sensitivity to foreign currency risk

	30 June 2012		31 December 2011	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	554.067	695.414	1.297.450	677.457
Profit / Loss (Decrease)	(554.067)	(695.414)	(1.297.450)	(677.457)

Interest rate risk

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

	30 June 2012	31 December 2011
	Effect on profit and profit reserves	
Total		
Market interest rate increase / (decrease)	TL	TL
+5%	(2.658.252)	(2.049.607)
-5%	3.019.842	2.259.434
Financial assets held for trading		Effect on profit
Market interest rate increase / (decrease)	TL	TL
+5%	-	(124.904)
-5%	-	132.558
Financial assets available for sale		Effect on profit and profit reserves
Market interest rate increase / (decrease)	TL	TL
+5%	(2.658.252)	(1.924.703)
-5%	3.019.842	2.126.876

Price risk

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

As of 30 June 2012, when the unit prices of shares had been changed by 10% with all other variables held constant, net profit/loss would not be affected since shares are not actively traded by the Company although they are classified as available for sale assets.

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4 Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Credit risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. Limits and guarantees are determined based on the assessment of the respective party’s financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of 30 June 2012, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 12.1.

Liquidity risk

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

Tables of liquidity risk

30 June 2012

	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	72.880.842	233.976.934	389.347.791	-	-	4.634.441	700.840.008
Financial Assets Available for Sale	-	-	18.071.393	33.927.597	-	125.125	52.124.115
Financial Assets Held for Trading	-	-	-	-	-	-	0
Investments with Risks on Policy Holders	-	-	5.932.732	-	-	-	5.932.732
Receivables From Main Operations	86.811.881	111.378.149	133.155.814	630.756	-	-	331.976.600
Due from Related Parties	-	-	60.350	-	-	-	60.350
Other Receivables	-	11.562.802	-	-	-	-	11.562.802
Prepaid Expenses and Income Accruals	13.905.392	23.674.656	57.170.891	5.385.964	18.482	-	100.155.385
Other Current Assets	195.854	-	875.695	-	-	-	1.071.549
Financial Assets	-	-	-	-	-	30.116.653	30.116.653
Tangible Fixed Assets	-	-	-	-	-	34.074.922	34.074.922
Intangible Fixed Assets	-	-	-	-	-	8.923.955	8.923.955
Prepaid Expenses and Income Accruals	-	-	-	-	-	-	-
Other Non-current Assets	-	-	-	-	-	2.625.075	2.625.075
Total Assets	173.793.969	380.592.541	604.614.666	39.944.317	18.482	80.500.171	1.279.464.146
Payables From Main Operations	-	-	96.750.593	-	-	-	96.750.593
Due to Related Parties	-	-	176.580	-	-	-	176.580
Other Payables	-	29.544.555	-	9.235.187	-	-	38.779.742
Insurance Technical Reserves	149.018.772	220.002.235	280.535.840	39.692.710	88.060	-	689.337.617
Taxes and Other Liabilities and Relevant Provisions	-	13.407.858	-	-	-	-	13.407.858
Deferred Income and Expense Accruals	-	-	6.687.921	-	-	-	6.687.921
Long Term Insurance Technical Reserves	3.279.275	5.583.136	13.227.079	1.270.159	4.359	-	23.364.008
Provisions for Other Risks	-	-	-	2.726.796	18.151.594	-	20.878.390
Other Long Term Liabilities	-	-	-	-	-	2.533.256	2.533.256
Shareholders' Equity	-	-	-	-	-	387.548.181	387.548.181
Total Liabilities and Shareholders' Equity	152.298.047	268.537.784	397.378.013	52.924.852	18.244.013	390.081.437	1.279.464.146
Liquidity Surplus / (Deficit)	21.495.922	112.054.757	207.236.653	(12.980.535)	(18.225.531)	(309.581.266)	-

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4 Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

31 December 2011	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	225.757.861	103.552.311	318.361.776	-	-	3.930.212	651.602.160
Financial Assets Available for Sale	-	2.239.663	43.734.379	11.474.786	-	130.565	57.579.393
Financial Assets Held for Trading	-	6.810.375	1.114.651	-	-	-	7.925.026
Investments with Risks on Policy Holders	-	-	5.615.562	-	-	-	5.615.562
Receivables From Main Operations	82.752.733	106.170.331	126.929.717	601.263	-	-	316.454.044
Due from Related Parties	48.689	-	52.628	-	-	-	101.317
Other Receivables	-	4.280.137	-	-	-	-	4.280.137
Prepaid Expenses and Income Accruals	12.735.209	21.682.360	51.367.957	4.932.718	16.927	-	90.735.171
Other Current Assets	190.307	-	3.384.481	-	-	-	3.574.788
Financial Assets	-	-	-	-	-	30.116.653	30.116.653
Tangible Fixed Assets	-	-	-	-	-	34.175.529	34.175.529
Intangible Fixed Assets	-	-	-	-	-	8.854.103	8.854.103
Prepaid Expenses and Income Accruals	-	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-	2.184.644	2.128.644
Total Assets	321.484.799	244.735.177	550.561.151	17.008.767	16.927	79.335.706	1.213.142.527
Payables From Main Operations	-	-	95.298.531	-	-	-	95.298.531
Due to Related Parties	-	-	175.066	-	-	-	175.066
Other Payables	-	28.596.179	-	9.685.292	-	-	38.281.471
Insurance Technical Reserves	134.468.895	199.568.314	239.092.195	34.639.703	74.827	-	607.843.934
Taxes and Other Liabilities and Relevant Provisions	-	13.273.694	-	-	-	-	13.273.694
Deferred Income and Expense Accruals	-	-	12.295.015	-	-	-	12.295.015
Long Term Insurance Technical Reserves	3.009.654	5.120.147	12.139.556	1.165.727	4.000	-	21.439.084
Provisions for Other Risks	-	-	-	3.368.712	15.708.383	-	19.077.095
Other Long Term Liabilities	-	-	-	-	-	2.650.075	2.650.075
Shareholders' Equity	-	-	-	-	-	402.808.562	402.808.562
Total Liabilities and Shareholders' Equity	137.478.549	246.558.334	359.000.363	48.859.434	15.787.210	405.458.637	1.213.142.527
Liquidity Surplus / (Deficit)	184.006.250	(1.823.157)	191.560.788	(31.850.667)	(15.770.283)	(326.122.931)	-

Categories of Financial Instruments

Current Financial Assets	30 June 2012		31 December 2011	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	52.124.115	52.124.115	57.579.393	57.579.393
Financial Assets Held for Trading	-	-	7.925.026	7.925.026
Financial Investments with Risks on Policy Holders	5.932.732	5.932.732	5.615.562	5.615.562
Non-Current Financial Assets				
Affiliates	30.116.653	30.116.653	30.116.653	30.116.653
Total Financial Assets	88.173.500	88.173.500	101.236.634	101.236.634

Fair value of financial instruments

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

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

The fair value of financial assets disclosed in the following table in terms of valuation methods is divided into three categories. "Category 1", represents the fair measurement of financial instruments based on the information obtained from organized markets (market data), the "Category 2" represents the fair measurement of financial instruments based on the information obtained from the transactions defined as imputed cost; and "Category 3" represents the fair measurement of financial instruments based on present value of the future cash flows.

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4 Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Fair values of financial assets and level classifications

	30 June 2012	Category 1	Category 2	Category 3
Financial Assets Held for Trading	-	-	-	-
Investment Funds	-	-	-	-
Financial Assets Available for Sale	52.124.115	52.124.115	-	-
Unlisted Equity Shares	125.125	125.125	-	-
Government Bonds & Treasury Bills	51.998.990	51.998.990	-	-
Financial Investments with Risks on Policy Holders	5.932.732	5.932.732	-	-
Affiliates (*)	30.116.653	-	-	-
Total	88.173.500	58.056.847	-	-

Fair values of financial assets and level classifications

	31 December 2011	Category 1	Category 2	Category 3
Financial Assets Held for Trading	7.925.026	7.925.026	-	-
Government Bonds & Treasury Bills	7.925.026	7.925.026	-	-
Financial Assets Available for Sale	57.579.393	57.579.393	-	-
Unlisted Equity Shares	130.565	130.565	-	-
Government Bonds & Treasury Bills	57.448.828	57.448.828	-	-
Financial Investments with Risks on Policy Holders	5.615.562	5.615.562	-	-
Affiliates (*)	30.116.653	-	-	-
Total	101.236.634	71.119.981	-	-

(*) As the work for the determination of Merter BV’s fair value has not been completed, cost value has been taken as the carrying value.

The following methods and assumptions are used in fair value estimation of financial instruments whose fair values could not be practically measured:

Financial assets:

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

Market value is considered in the measurement of fair value of government bonds and shares.

Financial liabilities:

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

5. Segment information

5.1 Operating segments

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the “IFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

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5. Segment information (Continued)

5.1 Segment information (Continued)

Segment results for the interim period 1 January - 30 June 2012:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Third Party Liability	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	41.030.197	8.946.966	189.324.389	92.638.924	46.797.970	10.121.372	11.441.677	81.654.171	474.923	-	482.430.589
1- Earned Premiums (Net of Reinsurer Share)	29.294.851	6.989.596	183.410.182	87.676.772	39.195.655	6.611.666	11.062.591	77.700.982	21.640	-	441.963.935
1.1 - Premiums (Net of Reinsurer Share)	42.698.389	6.934.696	190.437.557	107.353.686	36.655.928	8.293.749	11.149.712	103.272.152	23.098	-	506.818.967
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(13.403.538)	54.900	(7.027.375)	(19.948.897)	4.702.999	(1.682.083)	(89.714)	(25.571.170)	(1.458)	-	(62.966.336)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	271.983	(2.163.272)	-	2.593	-	-	-	(1.888.696)
2- Other Technical Income (Net of Reinsurance Share)	11.735.346	1.957.370	5.914.207	4.962.152	7.602.315	3.509.706	379.086	3.953.189	453.283	-	40.466.654
										-	-
TECHNICAL EXPENSES	(37.359.477)	(6.340.139)	(180.119.734)	(103.007.782)	(24.777.231)	(24.856.993)	(4.826.950)	(85.977.967)	(430.836)	-	(467.697.109)
1- Total Claims (Net of Reinsurer Share)	(15.427.542)	(4.044.443)	(131.675.854)	(80.154.494)	2.367.845	(19.780.035)	(1.380.045)	(60.519.374)	(920.970)	-	(311.534.912)
1.1- Claims Paid (Net of Reinsurer Share)	(12.805.037)	(1.319.007)	(144.945.175)	(78.074.172)	(5.327.167)	(3.497.853)	(2.885.007)	(58.894.733)	(713.634)	-	(308.461.785)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(2.622.505)	(2.725.436)	13.269.321	(2.080.322)	7.695.012	(16.282.182)	1.504.962	(1.624.641)	(207.336)	-	(3.073.127)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(2.260.303)	-	(67.972)	-	(5.681)	(109.256)	-	-	640.377	-	(1.802.835)
3- Operating Expenses	(19.671.632)	(2.295.696)	(48.375.908)	(22.853.288)	(27.139.395)	(4.967.702)	(3.446.905)	(25.458.593)	(150.243)	-	(154.359.362)
	3.670.720	2.606.827	9.204.655	(10.368.858)	22.020.739	(14.735.621)	6.614.727	(4.323.796)	44.087	-	14.733.480
Investment income	-	-	-	-	-	-	-	-	-	36.357.089	36.357.089
Depreciation expense	-	-	-	-	-	-	-	-	-	(2.638.786)	(2.638.786)
Provisions account	-	-	-	-	-	-	-	-	-	(5.888.911)	(5.888.911)
Tax expense	-	-	-	-	-	-	-	-	-	(3.814.366)	(3.814.366)
Financial expenses	-	-	-	-	-	-	-	-	-	(25.725.063)	(25.725.063)
Other	-	-	-	-	-	-	-	-	-	(212.774)	(212.774)
Net Profit / (Loss)	3.670.720	2.606.827	9.204.655	(10.368.858)	22.020.739	(14.735.621)	6.614.727	(4.323.796)	44.087	(1.922.811)	12.810.669

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5. Segment information (Continued)

5.1 Segment information (Continued)

Segment results for the interim period 1 January - 30 June 2011:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Third Party Liability	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	30.494.092	7.299.201	155.616.052	68.996.786	33.604.486	8.428.717	5.692.588	73.622.495	504.732	-	384.259.149
1- Earned Premiums (Net of Reinsurer Share)	23.480.744	6.174.931	149.342.833	65.538.093	26.674.739	5.768.975	5.623.236	72.188.664	68.958	-	354.861.173
1.1 - Premiums (Net of Reinsurer Share)	28.649.566	6.517.489	194.162.572	84.578.816	34.459.790	8.001.978	9.936.021	97.662.468	68.872	-	464.037.572
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(5.168.822)	(471.741)	(44.819.739)	(19.040.723)	(7.785.051)	(2.233.003)	(4.312.785)	(25.473.804)	86	-	(109.305.582)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	129.183	-	-	-	-	-	-	-	-	129.183
2- Other Technical Income (Net of Reinsurance Share)	7.013.348	1.124.270	6.273.219	3.458.693	6.929.747	2.659.742	69.352	1.433.831	435.774	-	29.397.976
TECHNICAL EXPENSES	(27.617.009)	(4.414.869)	(162.878.146)	(64.981.724)	(25.338.036)	(9.922.060)	(3.770.478)	(80.050.218)	(401.101)	-	(379.373.641)
1- Total Claims (Net of Reinsurer Share)	(10.722.104)	(2.180.529)	(118.946.077)	(45.920.059)	(5.959.704)	(6.265.711)	(2.448.082)	(63.059.337)	(963.800)	-	(256.465.403)
1.1- Claims Paid (Net of Reinsurer Share)	(8.511.625)	(1.463.205)	(113.041.995)	(51.625.953)	(3.435.251)	(4.577.501)	(1.241.066)	(60.965.148)	(995.225)	-	(245.856.969)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(2.210.479)	(717.324)	(5.904.082)	5.705.894	(2.524.453)	(1.688.210)	(1.207.016)	(2.094.189)	31.425	-	(10.608.434)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(1.673.172)	-	(733.974)	-	(8.869)	(81.924)	-	-	598.524	-	(1.899.415)
3- Operating Expenses	(15.221.733)	(2.234.340)	(43.198.095)	(19.061.665)	(19.369.463)	(3.574.425)	(1.322.396)	(16.990.881)	(35.825)	-	(121.008.823)
	491.373	956.067	(471.476)	(5.691.839)	2.612.079	(1.310.290)	(100.658)	(2.396.282)	45.904	-	4.885.508
Investment income	-	-	-	-	-	-	-	-	-	20.996.361	20.996.361
Depreciation expense	-	-	-	-	-	-	-	-	-	(2.353.313)	(2.353.313)
Provisions account	-	-	-	-	-	-	-	-	-	(7.182.257)	(7.182.257)
Tax expense	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(14.444.527)	(14.444.527)
Other	-	-	-	-	-	-	-	-	-	(1.376.648)	(1.376.648)
Net Profit / (Loss)	491.373	956.067	(471.476)	(5.691.839)	2.612.079	(1.310.290)	(100.658)	(2.396.282)	45.904	(256.588)	525.124

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6. Tangible fixed assets

30 June 2012

<u>Cost Value</u>	Owner	Vehicles	Furnitures and	Other Tangible	Total
	Occupied		Leased Tangible	Assets	
	Properties		Assets	(Including	
				Leasehold	
				Improvements)	
1 January	38.837.294	32.050	22.495.690	2.414.980	63.780.014
Additions	-	-	457.258	-	457.258
30 June	38.837.294	32.050	22.952.948	2.414.980	64.237.272
<u>Accumulated Depreciation</u>					
1 January	(11.306.716)	(26.344)	(16.884.928)	(2.139.567)	(30.357.555)
Charge for the Period	(388.295)	(3.125)	(99.665)	(58.223)	(549.308)
30 June	(11.695.011)	(29.469)	(16.984.593)	(2.197.790)	(30.906.863)
Net Book Value as of 30 June	27.142.283	2.581	5.968.355	217.190	33.330.409

30 June 2011

<u>Cost Value</u>	Owner	Vehicles	Furnitures and	Other Tangible	Total
	Occupied		Leased Tangible	Assets	
	Properties		Assets	(Including	
				Leasehold	
				Improvements)	
1 January	38.837.294	49.550	24.040.903	2.348.015	65.275.762
Additions	-	-	309.750	-	309.750
Disposals	-	(17.500)	(2.227.776)	-	(2.245.276)
30 June	38.837.294	32.050	22.122.877	2.348.015	63.340.236
<u>Accumulated Depreciation</u>					
1 January	(10.530.131)	(23.726)	(17.800.470)	(2.033.686)	(30.388.013)
Charge for the Period	(388.293)	(3.205)	(677.031)	(81.035)	(1.149.564)
Disposals	-	4.083	1.879.915	-	1.883.998
30 June	(10.918.424)	(22.848)	(16.597.586)	(2.114.721)	(29.653.579)
Net Book Value as of 30 June	27.918.870	9.202	5.525.291	233.294	33.686.657

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

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7. Investment Properties

30 June 2012

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	286.578	567.611	854.189
30 June	286.578	567.611	854.189
<u>Accumulated Depreciation</u>			
1 January	-	(101.118)	(101.118)
Charge for the Period	-	(8.557)	(8.557)
30 June	-	(109.675)	(109.675)
Net Book Value as of 30 June	286.578	457.936	744.514

30 June 2011

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	286.578	754.899	1.041.477
Disposals	-	-	-
30 June	286.578	754.899	1.041.477
<u>Accumulated Depreciation</u>			
1 January	-	(148.930)	(148.930)
Charge for the Period	-	(10.430)	(10.430)
Disposals	-	-	-
30 June	-	(159.360)	(159.360)
Net Book Value as of 30 June	286.578	595.539	882.117

The fair value of investment properties was determined by an independent valuation company as of 30 June 2012 and 2011. The valuation company, which is authorized by the Capital Markets Board, has the necessary qualifications and experience in the valuation of the related real estate. Valuation work which is performed in accordance with International Valuation Standards, is based on the reference prices of similar real estate transactions in the market. However, investment properties are not accounted for with their fair values.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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8. Intangible Fixed Assets

30 June 2012

<u>Cost Value</u>	Advances Given for Intangible	
	<u>Assets</u>	<u>Rights</u>
1 January	-	15.594.992
Additions	1.273.756	877.017
30 June	1.273.756	16.472.009
<u>Accumulated Amortization</u>		
1 January	-	(6.740.889)
Charge for the Period	-	(2.080.921)
30 June	-	(8.821.810)
Net Book Value as of 30 June	1.273.756	7.650.199

30 June 2011

<u>Cost Value</u>	<u>Rights</u>
1 January	11.756.263
Additions	1.428.628
30 June	13.184.891
<u>Accumulated Amortization</u>	
1 January	(3.912.213)
Charge for the Period	(1.193.319)
30 June	(5.105.532)
Net Book Value as of 30 June	8.079.359

The Company has not recognized any impairment loss for intangible fixed assets in the current period as of 30 June 2012 (30 June 2011: None).

The Company has no goodwill in the financial statements.

9. Investments in Affiliates

An affiliate is an entity, over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of 30 June 2012, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (31 December 2011: TL 30.116.653) with a 25% participation rate. Company has no effect on this affiliate’s management and this subsidiary is carried with its cost value, the Company’s final participation rates in the entities which own a shopping mall and an office building are 12,5% each.

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

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11. Financial Assets

11.1 Subcategories of Financial Assets

	30 June 2012	31 December 2011
Available - for - sale Investments	52.124.115	57.579.393
Trading Investments	-	7.925.026
Financial Assets at Insurees' Risk	5.932.732	5.615.562
Total	58.056.847	71.119.981

Available – for – sale Investments

	30 June 2012			31 December 2011		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	50.741.024	51.998.990	51.998.990	56.538.855	57.448.827	57.448.827
Equity Shares (Unlisted)	125.125	-	125.125	130.566	-	130.566
Total	50.866.149	51.998.990	52.124.115	56.669.421	57.448.827	57.579.393

Financial Assets at Insurees' Risk

	30 June 2012			31 December 2011		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	5.671.989	5.932.732	5.932.732	5.206.276	5.615.562	5.615.562

Equity shares under available-for-sale investments is as below:

30 June 2012

Equity Shares	Participation	Cost Value TL	Fair Value TL	Book Value TL
	Rate %			
Tarım Tarım Sigortaları				
Havuz İşletmesi A.Ş.	4,35	125.125	-	125.125
Unlisted		125.125	-	125.125
Total		125.125	-	125.125

31 December 2011

Equity Shares	Participation	Cost Value TL	Fair Value TL	Book Value TL
	Rate %			
Tarım Tarım Sigortaları				
Havuz İşletmesi A.Ş.	4,35	130.566	-	130.566
Unlisted		130.566	-	130.566
Total		130.566	-	130.566

The company does not have any financial assets held for trading as of 30 June 2012. Financial assets held for trading as of 31 December 2011 is as below:

31 December 2011

	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	7.722.550	7.925.026	7.925.026
Total	7.722.550	7.925.026	7.925.026

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11. Financial Assets (Continued)

11.2 Securities other than equity shares issued in the current period:

None (31 December 2011: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (31 December 2011: None).

11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

Cost, fair value and book values of marketable securities are presented in Note 11.1.

Financial assets consist of unlisted assets, and cost and book value of financial assets are presented as below:

Unlisted	30 June 2012				31 December 2011			
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653		

11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the company classified under marketable securities and associates and their issuers:

None (31 December 2011: None).

11.6 Value increases of financial assets in the last three years

Type of Financial Asset

	30 June 2012	31 December 2011	31 December 2010
Financial Assets Available for Sale	(4.097)	(865.162)	-

Value increases reflect the difference between the book value and cost of the financial assets at the period end.

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8. Financial Instruments

The Company does not apply any hedge accounting.

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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12. Receivables and Payables

12.1 Details of the Company’s receivables

	30 June 2012	31 December 2011
Receivables from Insurance Operations		
Receivables from agencies	294.814.802	250.407.745
Receivables from reinsurance companies	23.322.484	49.622.518
Receivables from Insurees	-	4,382
Claim recovery and salvage receivables- net (Note 2.1.1)	16.065.346	17.826.702
Rediscount of the receivables from insurance operations	(1.963.089)	(2.241.461)
Receivables from Insurance Operations	332.239.543	315.619.886
Other Receivables	140,708	144,133
Cash deposited for insurance and reinsurance companies	30,954	30,954
Receivables from insurance and reinsurance operations	171,662	175,087
Claim recovery receivables under legal follow-up	23.925.543	20.919.266
Doubtful receivables from main operations	22.795.286	23.266.720
Receivables from main operations	379.132.034	359.980.959
Provision for due from insurance operations (-) (*)	(2.883.354)	(2.883.354)
Provision for doubtful claim recovery and salvage receivables (-) (Note 2.1.1) (**)	(2.711.575)	(1.935.641)
Provision for doubtful receivables from main operations (-) (***)	(17.634.962)	(17.788.654)
Provision for net claim recovery receivables under legal follow-up (-) (***)	(23.925.543)	(20.919.266)
Total provision amount for doubtful receivables	(47.155.434)	(43.526.915)
Receivables from main operations - net	331.976.600	316.454.044

(*)The provision has been shown under provision for due from insurance operations in balance sheet.

(**)The provision has been shown under provision for due from reinsurance operations in balance sheet

(***)The provision has been shown under provision for doubtful receivables from main operations in balance sheet.

Aging of receivables from insurance operations is as follows:

	30 June 2012	31 December 2011
0-60 days	29.186.064	13.547.600
61-90 days	2.416.313	1.074.134
90+	3.150.517	3.258.264
Not due receivables	297.658.311	297.914.975
Total	332.411.205	315.794.973

The details of guarantees for the Company’s receivables are presented below:

Type of Guarantee	30 June 2012		31 December 2011	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	28.230.953	5.000,00	35.775.792	-
Real Estate Pledges	73.549.263	6.601.797	73.654.108	6.871.797
Government Bonds and Equity Shares	84.090	-	84.090	-
Other	626.287	-	664.518	-
Total	102.490.593	6.606.797	110.178.508	6.871.797

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12. Receivables and Payables (Continued)

12.1 Details of the Company’s receivables (Continued)

The Company books provision for 100% of doubtful receivables discluding guarantess. The movement table of provision for doubtful receivables under legal follow-up is presented below:

	2012	2011
Opening Balance, 1 January	(38.707.920)	(38.061.903)
Charge for the Period	(8.412.989)	(6.604.254)
Collections	5.560.404	5.411.404
Closing Balance, 30 June	(41.560.505)	(39.254.753)

Aging of overdue and doubtful receivables from insurance activities is as follows:

	30 June 2012	31 December 2011
0-30 days	-	24.574
Over 90 days	46.720.829	44.161.412
Total	46.720.829	44.185.986

12.2 Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to shareholders presented in the balance sheet amounting to TL 176.580 consists of dividend payables to the shareholders transferred from prior periods (31 December 2011: TL 175.066).

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 109.097.390 (31 December 2011: TL 107.439.002).

12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below:

30 June 2012

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	3.659.560	1,8065	6.610.995
EUR	437.799	2,2742	995.642
GBP	9.453	2,8216	26.673
CHF	2.012	1,8889	3.800
Other			5.568
Total			<u>7.642.678</u>
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	20.638.626	1,8065	37.283.678
EUR	7.572.465	2,2742	17.221.300
GBP	16.124	2,8216	45.495
CHF	3.333	1,8889	6.296
Other			733
Total			<u>54.557.502</u>
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(1.615.105)	1,8152	(2.931.739)
EUR	(427.638)	2,2852	(977.238)
Other			(696)
Total			<u>(3.909.673)</u>
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(19.616.006)	1,8065	(35.436.315)
EUR	(4.524.786)	2,2742	(10.290.268)
Other			(19.742)
Total			<u>(45.746.325)</u>
Net Foreign Currency Position			<u>12.544.182</u>

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12. Receivables and Payables (Continued)

12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below (Continued)

31 December 2011

	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Banks			
USD	999.127	1,8889	1.887.251
EUR	1.672.782	2,4438	4.087.945
GBP	8.738	2,9170	25.489
CHF	146	2,0062	293
Other			5.976
Total			<u>6.006.954</u>
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Receivables from Insurance Operations			
USD	14.233.456	1,8889	26.885.575
EUR	4.773.493	2,4438	11.665.462
GBP	4.749	2,9170	13.853
CHF	925	2,0062	1.856
Other			976
Total			<u>38.567.722</u>
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Outstanding Claims Reserve			
USD	(926.504)	1,8980	(1.758.505)
EUR	(457.397)	2,4556	(1.123.184)
Other			(5.466)
Total			<u>(2.887.155)</u>
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Payables from Insurance Operations			
USD	(7.437.267)	1,8889	(14.048.254)
EUR	(3.216.734)	2,4438	(7.861.055)
Other			(83.506)
Total			<u>(21.992.815)</u>
Net Foreign Currency Position			<u>19.694.706</u>

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13. Derivative Financial Instruments

As of 30 June 2012 and 31 December 2011, the Company has no derivative financial instruments.

14. Cash and Cash Equivalents

	30 June 2012	31 December 2011
Cash at Banks	546.105.588	519.894.669
Time Deposit	541.471.147	515.964.457
Demand Deposit	4.634.441	3.930.212
Bank guaranteed credit card receivables with maturity less than 3 months	154.734.420	131.707.491
Total	700.840.008	651.602.160
Interest Accrual on Cash and Cash Equivalents (-)	(16.402.740)	(3.950.486)
Cash Flow Based Grand Total	694.437.268	647.651.674
Blocked Deposits	98.209.531	101.833.705

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company’s shareholders and its shareholders’ equity structure as of 30 June 2012 and 31 December 2011 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in “Related Parties” note.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Presented in the statement of changes in equity.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30.600.000.000 shares having a nominal amount of TL 0,01 each. These shares are presented by Class 10 shares (31 December 2011: 30.600.000.000 shares with a nominal amount of TL 0,01 each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (31 December 2011: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0,01 per share (31 December 2011: TL 0,01 per share).

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15. Share Capital (Continued)

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	30 June 2012	31 December 2011
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period	30.600.000.000	30.600.000.000

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company’s Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the Capital Markets Board is also allocated over the final remaining amount.

The Company’s capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (31 December 2011: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

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

15.3.6 Equity shares held by the company, its affiliates or its subsidiaries

None (31 December 2011: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (31 December 2011: None).

15.4 Share based payments

None (31 December 2011: None).

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15. Share Capital (Continued)

15.5 Subsequent events

Disclosed in note 46.

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders’ equity in the current period in accordance with other standards and interpretations

	<u>30 June 2012</u>	<u>31 December 2011</u>
Unrealised gain of available - for - sale investments	(5.121)	(1.081.452)
Deferred Tax Effect	1.024	216.290
Total	<u>(4.097)</u>	<u>(865.162)</u>

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (31 December 2011: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (31 December 2011: None).

16.4 Hedging against financial risks

None (31 December 2011: None).

16.5 Gains and losses from available-for-sale investments recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders’ equity

	<u>30 June 2012</u>	<u>31 December 2011</u>
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, 1 January	(865.162)	-
Increase / decrease in value recognized under the shareholders' equity in the current period	861.065	(865.162)
End of the Period	<u>(4.097)</u>	<u>(865.162)</u>

16.6 Income and loss related to affiliates recognized directly in equity in the current period

None (31 December 2011: None).

16.7 Revaluation increases in tangible fixed assets

None (31 December 2011: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (31 December 2011: None).

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17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company’s guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	30 June 2012		31 December 2011	
	Amount to be Provided	Current Blockage	Amount to be Provided	Current Blockage
	TL	TL	TL	TL
Life	6.641.056	8.317.772	7.617.488	8.002.514
Government Bonds		5.933.260		5.618.002
Time Deposit		2.384.512		2.384.512
Non-Life	96.160.517	107.590.981	75.557.085	101.955.426
Government Bonds		11.765.962		2.506.233
Time Deposit		95.825.019		99.449.193
Total	102.801.573	115.908.753	83.174.573	109.957.940

17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurees and their mathematical reserves

	2012		2011	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
	Beginning of the Period, 1 January	374	3.368.712	537
Participations in the Current Period	-	51.286	-	174.146
Leavings in the Current Period	79	(693.202)	(83)	(792.779)
End of Period, 30 June	453	2.726.796	454	3.909.484

Mathematical reserves amounting to TL 2.220.491 (31 December 2011: TL 2.570.229) and reserves for the policies with financial assets at insurees’ risk amounting to TL 506.305 (31 December 2011: TL 798.483) and cancelled policies together with their mathematical reserves are included in the table above.

Financial assets classified as Available-for-Sale Investments under Financial Investments at Insurees’ Risk are valued with fair value as explained in note 11; as of 30 June 2012, there is no difference between the fair value and discounted value accounted in Life Mathematical Reserve (31 December 2011: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.3 Insurance guarantees given to non life insurances based on insurance branches

Branch	30 June 2012	31 December 2011
Motor Third Party Liability	2.191.570.970.244	2.060.035.998.091
Fire and Natural Disaster	124.593.521.876	103.775.053.369
General Losses	86.066.877.780	70.645.403.455
Accident	66.105.690.700	44.219.296.539
Marine	55.321.103.391	48.853.563.632
General Liability	39.275.410.452	37.608.696.688
Motor Own Damage	19.189.577.243	19.290.202.594
Financial Losses	12.342.791.432	9.893.068.460
Legal Protection	7.238.339.634	7.441.268.647
Air Crafts Liability	4.641.552.845	1.798.945.845
Credit	1.776.554.848	709.150.774
Air Crafts	794.680.297	628.895.963
Health	754.667.499	697.057.249
Water Crafts	368.382.945	352.782.471
Fidelity Guarantee	330.954.924	321.901.503
Life	6.903.918	9.403.712
Total	2.610.377.980.028	2.406.280.688.992

17.4 Pension investment funds established by the Company and their unit prices

None (31 December 2011: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (31 December 2011: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (31 December 2011: None).

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None (31 December 2011: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (31 December 2011: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (31 December 2011: None).

17.10 Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (31 December 2011: None).

17.11 Number of transfers from the Company's individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (31 December 2011: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (31 December 2011: None).

17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2

17.14 Profit share distribution rate of life insurees in the current period

In the current period, profit share distribution rate of life insurees are calculated as below:

	1 January - 30 June 2012 Profit Share Distribution (%)	1 January - 31 December 2011 Profit Share Distribution (%)
TL (Life Insurance)	7,97	7,31

17.15 Explanation of information that describes amounts arose from insurance agreements

None (31 December 2011: None).

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

Reinsurance Assets

	30 June 2012	31 December 2011
Receivables from Reinsurance Companies	23.322.484	49.622.518
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	181.533.413	139.116.703
Reinsurance Share of Outstanding Claims Reserve	318.496.142	88.728.647
Reinsurance Share of Unexpired Risks Reserve	1.910.429	288.299
Total	525.293.422	277.787.121

Reinsurance Liabilities

	30 June 2012	31 December 2011
Payables to Insurance and Reinsurance Companies	74.751.215	73.635.550
Deferred commission income	23.364.008	21.439.084
Total	98.115.223	95.074.634

Income / Expense on Reinsurance Agreements

	1 January - 30 June 2012	1 April - 30 June 2012	1 January - 30 June 2011	1 April - 30 June 2011
Premiums Ceded to Reinsurers (-)	(199.242.617)	(90.921.156)	(142.649.825)	(66.857.147)
Commissions Received	22.766.454	11.674.130	19.650.125	9.767.069
Reinsurance Share of Unearned Premiums Reserve	42.420.301	7.957.772	17.810.409	4.006.809
Reinsurance Share of Unexpired Risks Reserve	1.622.130	1.910.429	(1.450.046)	(2.291.969)
Reinsurance Share of Outstanding Claims Reserve	237.255.149	25.684.434	26.070.132	8.222.325
Reinsurance Share of Claims Paid	36.750.215	15.814.013	44.161.687	23.273.676
Total	141.571.632	(27.880.378)	(36.447.518)	(23.879.237)

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company (Continued)

Branch	30 June 2012			30 June 2011		
	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(78.256.447)	23.425.501	5.802.712	(59.486.388)	23.175.383	6.628.161
General Losses	(47.200.169)	234.682.798	10.422.621	(24.974.722)	10.375.234	8.286.471
Motor Third Party Liability	(9.038.217)	(2.717.130)	5.898.622	(10.705.868)	(2.744.967)	6.565.063
Motor Own Damage	(13.859.293)	(568.641)	11.166.019	(21.674.694)	5.653.356	14.831.141
Marine	(7.331.253)	6.183.739	1.772.824	(5.267.086)	3.465.481	1.339.380
General Liability	(6.970.721)	13.100.413	1.372.769	(6.986.587)	7.858.851	1.459.474
Financial Losses	(12.900.481)	7.043.351	60.478	(10.387.565)	454.452	1.110.940
Credit	(2.376.467)	316.241	13.622	(1.212.046)	602.622	14.270
Air Crafts Liability	(4.340.169)	897.919	-	(175.216)	(1.623.592)	809
Accident	(1.055.814)	(953.274)	150.708	(1.093.341)	(441.348)	485.223
Water Crafts	(981.830)	(275.635)	23.153	(785.016)	(1.830.208)	2.227.167
Air Crafts	(793.505)	196.785	-	(343.202)	(1.110.407)	18.820
Fidelity Guarantee	(518.285)	(965.689)	65.013	(566.682)	(386.820)	28.721
Health	(418.909)	(20.739)	1.674	1.359.163	(1.124.128)	1.162.068
Legal Protection	-	(197.278)	-	(330.165)	63.587	3.979
Life	(7.323)	(994)	-	(20.410)	2.999	-
Total	(186.048.883)	280.147.367	36.750.215	(142.649.825)	42.390.495	44.161.687

The Company, as a ceding company, defers its commission income obtained from reinsurance.

17.17 Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in Note 4.1.2.4.

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

	2012	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	95.074.634	277.787.121
Movement in the Current Period	3.040.589	247.506.301
End of the Period, 30 June	98.115.223	525.293.422
	2011	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	60.547.066	270.696.800
Movement in the Current Period	34.527.568	7.090.321
End of the Period, 31 December	95.074.634	277.787.121

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18. Investment Contract Liabilities

Disclosed in Note 17.3.

19. Trade and Other Payables, Deferred Income

19.1 Sub-classifications of presented items in line with the Company’s operations

	30 June 2012	31 December 2011
Payables to agencies	22.548.017	21.938.906
Rediscount on Payables from Insurance Operations	(548.639)	(275.925)
Payables to Insurance and Reinsurance Companies	74.751.215	73.635.550
Payables from Insurance Operations	96.750.593	95.298.531
Payables to Contracted Enterprises	4.482.771	13.034.775
Payables to Turkish Catastrophe Insurance Pool	6.186.509	4.383.609
Payables to Suppliers	2.728.431	3.383.916
Turkish Catastrophe Insurance Pool Payables to Agencies	591.942	494.568
Payables to SSI regarding medical expenses (*)	14.162.596	7.058.985
Other	1.392.306	240.326
Other Payables	29.544.555	28.596.179
Deferred Commission Income	23.364.008	21.439.084
Deferred Income and Expense Accruals	23.364.008	21.439.084
Total Short Term Liabilities	149.659.156	145.333.794
Payables to SSI regarding medical expenses (*)	9.235.187	9.685.292
Total Long Term Liabilities	9.235.187	9.685.292
Total Trade and Other Payables, Deferred Income	158.894.343	155.019.086

(*) Payables to SSI regarding to treatment expenses are as follows:

Closed outstanding claims provision and incurred but not reported claims provision (1)	4.599.245
Premiums ceded to SSI (2)	11.113.969
The difference between notified liabilities for the year 2011 amount and the amount calculated (3)	2.001.016
Premium payments to SSI	(969.953)
Total	16.744.277

	30 June 2012
Premiums ceded to SSI (4)	12.110.757
Correction notified in 2012 related to premium ceded to SSI between 25 February 2011- 26 August 2011 (5)	1.082.977
The difference between notified liabilities for the year 2011 amount and the amount calculated (6)	2.146.487
Premium payments to SSI	(8.686.715)
Total	23.397.783

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19. Trade and Other Payables, Deferred Income (Continued)**19.1 Sub-classifications of presented items in line with the Company’s operations(Cont’ d)**

- (1) As disclosed in Note 2.15, in accordance with the Communiqué numbered 2011/18, the Company has closed outstanding claim files regarding the claims related to treatment expenses dated before the enforcement of the Law and “incurred but not reported claims to be closed” calculated with respect to the related treatment expenses and classified the respective amounts to the “Paid claims” account. In accordance with the Communiqué numbered 2011/18, the Company has performed the ACLM provision calculations both including and excluding data related to treatment expenses as of 31 March 2011 and the difference between these calculations is determined as “incurred but not reported claims to be closed”. Accordingly, the Company transferred the closed claim files regarding the claims related to treatment expenses dated before the enforcement of the Law amounting to TL 3.783.062 and “incurred but not reported claims to be closed” calculated in accordance with the Communiqué numbered 2011/18 amounting to TL 816.183 totally amounting to TL 4.599.245 to the account “Paid Claims” and classified the total amount to the account “Payables to SSI regarding medical expenses-long term”. In accordance with the Communiqué numbered 2011/17, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under “Payables to SSI regarding medical expenses-short term”, “Payables to SSI regarding medical expenses- long term” and charged to other technical income or expense account. In this context, the Company has deducted TL 1.533.082 from short term payables, TL 3.066.163 from long term payables from the related liability accounts and recognized a corresponding amount of income in the current period income statement.
- (2) As disclosed in Note 2.15, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued after 25 February 2011, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI as TL 11.113.969 and an unearned premium reserve amounting to TL 6.303.656 on a daily basis on these premiums. In accordance with the Communiqués numbered 2011/17 and 2011/18, the Group classified a certain portion of ceded premiums to SSI amounting to TL 4.494.840 to the account “Payables to SSI regarding medical expenses - short term” and deducted the payment amount realised until 31 December 2011. The remaining part of ceded premiums to SSI amounting to TL 6.619.129 is classified under the account “Payables to SSI regarding medical expenses - long term.
- (3) In accordance with the Communiqué numbered 2011/17, the difference between the respective liability amount notified by Treasury to the companies and 1/3 of the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under “Payables to SSI regarding medical expenses” and charged to other technical income or expense account. In this context, the Company has deducted TL 2.001.016 from the related liability account and recognized a corresponding amount of income in the current period income statement.
- (4) As disclosed in Note 2.15, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies written within the period of 1 January – 30 June 2012, regarding the expenses with respect to the traffic accident related medical care services provided. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL12.110.757 as of 1 January – 30 June 2012 and calculated a reinsurance share of unearned premium reserve amounting to TL11.197.931 as of 30 June 2012. The amount of premiums ceded to SSI is classified under the account “Payables to SSI regarding treatment expenses - short term” and the payments made until 30 June 2012 are deducted from the account.
- (5) In accordance with the Communiqué numbered 2012/3, the Company has recalculated the certain amount of premiums to be ceded to SSI in relation with the policies issued after 25 February 2011 and before the effective date of the regulation 26 August 2011 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches according to the fixed prices determined accordance to the vehicle types in the Communiqué numbered 2012/3. Based on the aforementioned regulations, the Company has recorded the additional amount of the premiums to be ceded to SSI as TL1.082.977 as ceded premium to SSI as of 30 June 2012.
- (6) In accordance with the Communiqué numbered 2011/17 and 2012/4, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under “Payables to SSI regarding medical expenses” in balance sheet and charged to other technical income or expense account in income statement. In this context, the Company has deducted TL 2.146.487 from the related liability account by considering the 1 January - 30 June 2012 liability and recognized the corresponding amount of income in the current period “Other Technical Income”. The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications by Treasury in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.

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19. Trade and Other Payables, Deferred Income (Continued)

19.2 Related Parties

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

20. Payables

Insurance Technical Reserves	30 June 2012	31 December 2011
Unearned Premiums Reserve- Net (*)	469.833.924	400.786.528
Unexpired Risks Reserve- Net	2.204.747	316.051
Outstanding Claims Reserve-Net (**)	217.298.946	206.741.355
Life Mathematical Reserve-Net	2.726.796	3.368.712
Equalization Reserve-Net	18.151.594	15.708.383
Total	710.216.007	626.921.029

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 2.015.287 (31 December 2011: TL 427.325), the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been net off.
As explained in note 2.15, unearned 63premium reserve reinsurance share includes TL 11.197.931 SSI share of unearned 63premium reserve calculated on a daily basis over the 63premium as of 1 January – 30 June 2012 (31 December 2011: TL 6.303.656)

(**) The Company has clean-cut agreements in the motor-accident branch, and based on these agreements it has performed the 2011 premium and claim portfolio withdrawals as of 30 June 2012. According to the same agreement, portfolio entries were made in 2012. TL 7.484.464 (31 December 2011: TL 7.373.513), the effect of 2011 portfolio entries was netted off from the provisions for outstanding claims account in the current period (Note 4.1.2.4).

21. Deferred Income Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for Turkey Accounting Standards (TAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in Note 35.

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to SSI as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers’ order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on 2 November 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on 22 March 2007 as effective from the date of publication in the Official Gazette no: 26479 on 31 March 2007.

On the other hand, the Act No: 5754 “Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements” published in the Official Gazette No: 26870 on 8 May 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

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22. Retirement and Welfare Liabilities (Continued)

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Employee Termination Benefits

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month’s salary limited to a maximum of TL 2.805,04 for each period of service as of 30 June 2012 (31 December 2011: TL 2.731,85).

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2012 and 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 4,8 % and a discount rate of 11%, resulting in a real discount rate of approximately 4,66%. The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirement pay is also taken into account.

As the maximum liability is updated semi annually, the maximum amount of TL 3.033,98 effective from 1 July 2012 has been taken into consideration in calculation of provision from employment termination benefits (1 July 2011: TL 2.731,85).

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22. Retirement and Welfare Liabilities (Continued)

Movement of employee termination benefits provisions are presented in the statement below:

	2012	2011
Beginning of the Period, 1 January	2.650.075	2.167.753
Charge for the Period	605.972	353.198
Retirement Payments	(722.791)	(416.283)
End of the Period, 30 June	2.533.256	2.104.668

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2012		2011	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, 1 January	1.976.488	856.815	2.150.394	749.883
Movements in the Current Period	376.236	81.760	545.511	5.006
End of the Period, 30 June	2.352.724	938.575	2.695.905	754.889

23.2 Off-balance sheet commitments

Company’s statement of pledges and commitments as of 30 June 2012 and 31 December 2011 are presented below;

	30 June 2012		31 December 2011	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		205.034		243.621
	TL	194.415	194.415	232.415
	USD	5.878	10.619	5.933
		10.104.464		3.337.540
D. Total amount of other CPMs given		10.104.464		3.337.540
i. Total amount of CPMs given in favor of the parent company	-	-	-	-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favor of third parties not included in clause C		10.104.464	-	3.337.540
	TL	10.104.464	3.337.540	3.337.540
Total		10.309.498		3.581.161

Other pledges and commitments provided by the Company has no share on the equity (31 December 2011: None).

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23. Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	30 June 2012	31 December 2011
Outstanding Claims under Litigation (*)	89.245.915	86.521.267
Total	89.245.915	86.521.267

	30 June 2012	31 December 2011
Subrogation Receivable Litigations	31.675.582	29.854.943
Trade Receivable Litigations and Executions	11.670.778	12.142.213
Total	43.346.360	41.997.156

(*) As explained in Note 2.1.1, the Company has deducted outstanding claim reserve under litigation by TL 9.355.367 as of 30 June 2012 (31 December 2011: TL 8.805.614).

23.4 Provision for Expense Accruals

	30 June 2012	31 December 2011
Unused vacation provision	2.352.724	1.976.488
Performance premium provision	1.701.454	2.237.855
Comission provision	1.387.256	4.111.079
Security fund provision	1.198.069	1.752.503
Other	48.418	2.217.090
Total	6.687.921	12.295.015

24. Net Insurance Premium Revenue

	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Non-life Branches				
Motor Own Damage	190.437.558	102.823.685	194.162.571	102.334.841
Health	103.272.152	29.607.697	97.662.468	26.127.057
Motor Third Party Liability (*)	107.353.686	60.118.232	84.578.815	46.812.958
Fire and Natural Disaster	42.698.389	22.187.857	28.488.775	14.928.200
General Losses	29.634.067	14.329.314	27.891.030	12.970.929
Financial Losses	14.390.328	7.041.182	7.843.545	4.634.608
Marine	6.556.251	2.658.168	6.298.807	3.324.836
Accident	6.335.217	3.246.352	10.882.921	6.023.587
General Liability	4.011.485	1.673.687	2.883.290	1.485.060
Legal Protection	1.569.761	752.611	2.972.496	1.584.666
Water Crafts	378.445	262.511	218.682	150.038
Fidelity Guarantee	146.249	59.090	74.269	28.897
Credit	12.098	1.993	11.031	11.031
Air Crafts Liability	66	20	-	-
Air Crafts	117	88	-	-
Total Non-life Branches	506.795.869	244.762.487	463.968.700	220.416.708
Life	23.098	8.971	68.872	29.769
Total	506.818.967	244.771.458	464.037.572	220.446.477

(*) In accordance with the Communiqué numbered 2011/17, ceded premium of motor third party liability and accident branches include premiums ceded to SSI amounting to TL 13.190.108 and TL 3.626 (1 January -31 December 2011: TL 11.113.969) (Note 2.15).

Amounts in the table above are presented at net by gross premiums less reinsurance shares.

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25. Fee Income

None (30 June 2011:None).

26. Investment Income/(Expense)

	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Interest Income	29.352.368	13.930.546	15.969.700	11.540.387
Repo Income	-	-	24	-
Rent Income	154.358	70.877	113.319	56.660
Total	29.506.726	14.001.423	16.083.043	11.597.047

27. Net Accrual Income on Financial Assets

<u>Available - for - Sale Investments</u>	<u>1 January- 30 June 2012</u>	<u>1 January- 30 June 2011</u>
Valuation differences recognized under shareholders' equity	(4.097)	(1.303.281)
Total	(4.097)	(1.303.281)

28. Assets Held At Fair Value through Profit and Loss

Net gain/loss of assets held at fair value through profit and loss reflected to the income statement as of the balance sheet date is TL 18.239.390 (1 April – 30.June 2012: TL 8.384.161, 1 January - 30 June 2011: TL 5.509.266, 1 April– 30 June 2011: TL 1.339.197).

29. Insurance Rights and Demands

Outstanding Claims Reserve	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Motor Own Damage	13.269.321	(13.526.571)	(5.904.082)	(5.730.659)
Marine	(2.768.650)	(3.710.701)	(703.878)	(359.442)
Accident	858.766	467.518	(328.331)	401.217
General Losses	(238.379)	(515.324)	(3.228.851)	(889.116)
Fidelity Guarantee	131.000	101.449	(13.351)	(22.582)
Air Crafts	-	2.649	-	-
Water Crafts	43.214	52.858	(13.447)	(37.685)
Legal Protection	(945.766)	(891.153)	(10.993)	(278)
Health	(1.624.641)	(181.898)	(2.094.189)	1.925.613
Fire and Natural Disaster	(3.053.368)	(1.321.776)	(2.134.262)	(817.251)
Credit	(188)	(188)	-	-
Financial Losses	(2.147.169)	942.634	(932.254)	(445.959)
General Liability	(3.459.581)	994.254	(982.084)	(551.370)
Motor Third Party Liability	(2.930.350)	9.172.113	5.705.864	7.944.076
Total Non-life	(2.865.791)	(8.414.136)	(10.639.858)	1.416.564
Life	(207.336)	(165.947)	31.424	(45.924)
Total (*)	(3.073.127)	(8.580.083)	(10.608.434)	1.370.640

(*) Comparison of current period and previous period is presented in note 4.1.2.4.

30. Investment Agreement Rights

None (30 June 2011: None).

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31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Production Commissions (-)	(102.207.334)	(49.910.750)	(76.809.762)	(42.304.318)
Employee Wages and Expenses (-)	(23.221.615)	(11.027.237)	(18.318.949)	(9.173.761)
Information Technology Expenses (-)	(3.364.964)	(1.659.443)	(2.579.700)	(1.276.292)
Depreciation Expenses (-)	(2.638.786)	(1.110.751)	(2.353.313)	(1.089.628)
Outsourcing Service Expenses (-)	(1.156.337)	(447.421)	(1.208.192)	(221.129)
Repair and Maintenance Expenses (-)	(1.471.998)	(744.150)	(1.622.484)	(830.719)
Meeting and Training Expenses (-)	(2.339.365)	(1.901.508)	(1.313.213)	(507.705)
Transportation Expenses (-)	(1.798.898)	(1.018.797)	(1.330.706)	(708.068)
Advertisement Expenses (-)	(1.731.365)	(1.378.909)	(3.569.422)	(2.998.118)
Social Relief Expenses (-)	(1.213.202)	(608.067)	(1.016.767)	(523.343)
Rent Expenses (-)	(680.843)	(326.848)	(452.847)	(225.213)
Communication Expenses (-)	(612.864)	(318.765)	(388.865)	(216.162)
Other (-)	(2.539.550)	(1.217.253)	(2.006.913)	(1.017.934)
Total	(144.977.121)	(71.669.899)	(112.971.133)	(61.092.390)

The table above does not include other expenses amounting to TL 12.021.027 (30 June 2011: TL 10.391.003) in operating expenses and; includes depreciation expenses amounting to TL 2.638.786 (30 June 2011: TL 2.353.313).

33. Employee Benefit Expenses

	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Salary and Bonus Payments	(22.101.201)	(10.362.237)	(17.545.514)	(8.773.398)
Insurance Payments	(283.620)	(145.591)	(227.667)	(120.074)
Other Payments	(836.794)	(519.409)	(545.768)	(280.289)
Total (Note 32)	(23.221.615)	(11.027.237)	(18.318.949)	(9.173.761)

34. Financing Costs

34.1 Financial Expenses

None (30 June 2011: None).

34.2 Current period’ s financial expenses related to shareholders, affiliates and subsidiaries:

None (30 June 2011: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

None (30 June 2011: None).

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries

In the current period TL 13.268 (1 April – 30 June 2012: None, 1 January - 30 June 2011: TL 36.042, 1 April– 30 June 2011: TL 18.021) of rent income was generated from Hacı Ömer Sabancı Holding, shareholder of the Company.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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34. Financing Costs

34.5 The company does not apply hedge accounting.

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss.

None (30 June 2011: None).

35. Income Tax

	30 June 2012		31 December 2011	
<u>Current Tax Liability</u>				
Corporate Tax Liability Provision on Period Profit		3.814.366		5.655.167
Prepaid Taxes and Other Liabilities on Period Profit (-)		(2.232.846)		(2.660.185)
		<u>1.581.520</u>		<u>2.994.982</u>
<u>Tax (Expense) / Income is Formed by the Items Below:</u>	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Current Tax Income / (Expense)	(3.814.366)	(1.801.467)	-	-
Deferred Tax Income / (Expense) due to Temporary Differences	711.697	782.103	(45.608)	(1.683.927)
Total Tax Income / (Expense)	<u>(3.102.669)</u>	<u>(1.019.364)</u>	<u>(45.608)</u>	<u>(1.683.927)</u>

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities.

<u>Deferred Tax</u>	30 June 2012		31 December 2011	
Recognized in the Shareholders' Equity:				
Valuation of Financial Assets Available for Sale		1.024		216.290
Total		<u>1.024</u>		<u>216.290</u>

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35. Income Tax (Continued)

Items that are subject to deferred tax and corporate tax are summarized as follows:

Deferred Tax Assets / (Liabilities)	30 June 2012	31 December 2011
Valuation Differences of Financial Assets	1.024	216.290
Useful Life Differences of Tangible and Intangible Assets	(154.376)	(805.146)
Employment Termination Benefit	506.651	530.015
Unused Vacation Provision	470.545	395.298
Payable / Receivable Discounts	392.618	448.292
Technical Reserves	455.679	319.653
Doubtful Receivable Provisions	576.671	576.671
Other	376.263	447.571
Deferred Tax Assets / (Liabilities), Net	2.625.075	2.128.644

Movements of Deferred Tax Assets / (Liabilities):	1 January- 30 June 2012	1 January- 30 June 2011
Beginning of the Period, 1 January	2.128.644	4.013.745
Deferred Tax Income Recognized in the Income Statement / (Expense)	711.697	(45.608)
Deferred Tax Income Recognized in the Shareholders' Equity	(215.266)	325.820
Closing Balance, 30 June	2.625.075	4.293.957

Reconciliation of period tax expense with net income for the period is as below:

Reconciliation of Tax Provision:	1 January- 30 June 2012	1 January- 30 June 2011
Income Before Tax	15.913.339	570.733
Tax Calculated: 20%	(3.182.669)	(114.147)
Effect of Additions	(2.792.985)	(3.475.825)
Effect of Allowances	2.161.288	6.182.803
Corporate Tax Payable and Provision for Other Statutory Liabilities	(3.814.366)	-
Deferred Tax Income / (Expense)	711.697	(45.608)

36. Net Foreign Exchange Gain/Loss

Recognized in Profit / Loss:	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Foreign Exchange Income	6.847.164	3.785.966	4.893.211	3.141.454
Foreign Exchange Expense	(6.800.645)	(3.749.122)	(5.880.763)	(3.550.770)
	46.519	36.844	(987.552)	(409.316)

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37. Earning per Share

	2012	2011
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
Beginning Period, 1 January	30.600.000.000	30.600.000.000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
End of Period, 30 June	30.600.000.000	30.600.000.000
Weighted Average Number of Outstanding Shares (0,01 TL per one share)	30.600.000.000	30.600.000.000
Net Profit for the Period / (Loss) (TL)	12.810.669	525.124
Earnings / (Loss) per Share (TL)	0,042	0,002

38. Dividends per share

In the Ordinary General Meeting of the Company dated on 30 May 2012, it has been decided to distribute net profit stated on financial statements of year 2011 to shareholders with TL 0,009 each stock and transfer TL 28.932.115 to legal reserves.

39. Cash Generated from the Operations

Net cash amount that generated from main operations, net cash generated from/used for investments, and net cash used for financing operations are TL 56.221.769, TL 9.495.942 and TL (28.932.115) respectively (30 June 2011: TL 26.872.062, TL 169.116.045 and none).

40. Equity Share Convertible Bonds

None (31 December 2011: None).

41. Cash Convertible Privileged Equity Shares

None (31 December 2011: None).

42. Risks

The Company’s contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2

44. Business Combinations

None (31 December 2011: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012

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

45. Related Parties

The details of transactions between the Company and other related parties are disclosed below:

Due from / to Related Parties Company	30 June 2012	31 December 2011
Enerjisa Enerji Üretim A.Ş	8.782.603	3.338.065
Ak Finansal Kiralama A.Ş	3.866.094	2.800.100
Başkent Elektrik Dağıtım A.Ş	1.366.968	185.885
Akçansa Çimento San. ve Tic. A.Ş	963.143	280.934
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	817.539	591.028
Temsa Global San. ve Tic. A.Ş	788.396	94.715
Avivasa Emeklilik ve Hayat A.Ş	425.827	11.188
Akbank Türk A.Ş.	374.293	55.941
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic	311.292	453.260
Olmuxsa International Paper Sabancı Ambalaj San. ve Ti	261.696	19.173
Teknosa İç ve Dış Ticaret A.Ş	163.725	36.439
Yünsa Yünlü San. ve Tic. A.Ş	148.007	78.254
Sabancı Üniversitesi	146.448	4.211.051
Hacı Ömer Sabancı Holding A.Ş	141.066	47.772
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş	122.237	14.893
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş	69.237	(282)
Çimsa Çimento San. ve Tic. A.Ş	63.247	60.750
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	53.141	35.132
Ak Yatırım Menkul Değerler A.Ş	52.331	-
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	38.704	14.061
Ak Portföy Yönetimi A.Ş	28.890	-
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	13.854	6.178
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	6.168	(747)
Ak Yatırım Ortaklığı A.Ş.	5.250	(26)
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A	4.696	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	3.857	390
Hacı Ömer Sabancı Vakfı	1.610	-
AEO (Hilton International)	955	-
TOTAL	19.021.273	12.334.154

(*) TL 60.350 (31 December 2011: TL 52.628) of due from related parties is presented under the "Due from Related Parties" in the financial statements and the remaining amount is presented under the "Receivables from Insurance Operations" account.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012**

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

45. Related Parties (Continued)

Written Premium

<u>Insuree</u>	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Enerjisa Enerji Üretim A.Ş.	11.936.644	5.989.196	9.665.272	5.043.756
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	5.403.621	2.710.356	4.085.318	2.126.663
Ak Finansal Kiralama A.Ş.	3.896.150	2.017.307	3.486.236	1.733.663
Sabancı Üniversitesi	3.101.149	1.602.989	2.256.485	1.158.360
Akbank Türk A.Ş.	2.892.037	1.461.694	2.350.632	1.188.237
Başkent Elektrik Dağıtım A.Ş.	2.383.003	1.280.187	1.361.150	603.406
Temsa Global San. ve Tic. A.Ş.	2.315.306	1.170.057	2.019.010	984.637
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2.244.743	1.365.082	1.539.628	773.591
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic.	2.070.090	1.041.826	1.833.725	953.847
Akçansa Çimento San. ve Tic. A.Ş.	1.905.042	1.046.695	1.744.612	893.760
Çimsa Çimento San. ve Tic. A.Ş.	1.890.774	946.915	1.568.734	768.603
Teknosa İç ve Dış Ticaret A.Ş.	1.501.267	1.219.317	503.819	252.637
Pmsa Philip Morris Sabancı Paz. ve Satış A.Ş.	1.487.115	750.302	1.306.258	671.435
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	1.369.549	685.402	1.069.713	541.915
Olmuksa International Paper Sabancı Ambalaj San. ve Tic.	1.264.107	630.959	1.074.552	541.930
Avivasa Emeklilik ve Hayat A.Ş.	1.175.281	596.334	1.033.079	599.345
Yünsa Yünlü San. ve Tic. A.Ş.	724.440	391.387	532.902	272.871
Hacı Ömer Sabancı Holding A.Ş.	550.672	289.659	455.214	231.526
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	154.364	77.148	128.432	63.970
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	142.416	73.447	139.072	70.092
Ak Yatırım Menkul Değerler A.Ş.	128.623	64.570	78.860	40.633
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	128.444	67.243	249.646	140.969
Ak Portföy Yönetimi A.Ş.	96.533	49.014	71.609	36.219
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.	64.679	32.533	52.117	26.320
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	43.291	21.645	35.907	18.124
Hacı Ömer Sabancı Vakfı	30.895	15.292	26.889	13.612
Ak Yatırım Ortaklığı A.Ş.	12.009	6.004	9.817	4.936
AEO (Hilton International)	4.301	2.159	932	471
Total	48.916.544	25.604.721	38.679.620	19.755.528

Interest Income Received from Related Parties

<u>Company</u>	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Akbank T.A.Ş.	22.360.639	12.012.238	12.345.298	7.280.656
Total	22.360.639	12.012.238	12.345.298	7.280.656

The detail of dividend income received from related parties is presented in Note 26.

The company has donated TL 1.769.000 to Hacı Ömer Sabancı Foundation in 2011.

46. Subsequent Events

Employee termination benefits' limit is being revised every six months, the limit that being used by the Company in order to calculate provision for employee termination benefits is TL 3.033,98 which is valid from 1 July 2012 (Employee termination benefits' limit that valid from 01 July 2011 is TL 2.731,85). Share of the parent company Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. are 36,0% for both companies as of 14 August 2012.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

47. Other

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet:

Other Receivables	30 June 2012	31 December 2011
Prepaid excess of loss premiums	6.948.673	-
Receivables from Tarım Sigortaları A.Ş.	3.166.866	3.165.740
Other Receivables	1.356.410	1.023.544
Total	11.471.949	4.189.284

Other Short Term Payables	30 June 2012	31 December 2011
Payables to Contracted Enterprises	4.482.771	13.034.775
Payables to Turkish Catastrophe Insurance Pool	6.186.511	4.383.609
Payables to Suppliers	2.728.431	3.383.916
Turkish Catastrophe Insurance Pool Payables to Agencies	591,942	494.568
Other	1.392.304	240.326
Total	15.381.959	21.537.194

Other Long Term Payables	30 June 2012	31 December 2011
Payables to Social Security Institution	1.082.960	208.024
Total	1.082.960	208.024

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	1 January- 30 June 2012	1 April- 30 June 2012	1 January- 30 June 2011	1 April- 30 June 2011
Provisions Account (+/-)	(5.888.911)	(2.761.412)	(7.182.257)	(5.589.222)
Provisions for Doubtful Receivable	(2.876.743)	(1.181.344)	(756.426)	(43.166)
Retirement Pay Provision	(605.972)	(477.137)	(353.198)	(209.488)
Ministry of Health	-	-	(4.600.000)	(4.600.000)
Provisions for Other Expenses	(2.406.196)	(1.102.931)	(1.472.633)	(736.568)
Discount Account (+/-)	551.086	722.537	426.136	(623.435)
Compulsory Earthquake Insurance Account (+/-)	275.205	105.632	211.718	94.817
Deferred Tax Asset Account (+/-)	711.697	782.103	-	-
Deferred Tax Liability Expense (-)	-	-	(45.608)	(1.683.927)
Other Income and Profit	559.948	242.982	1.213.501	901.521
Other Expenses and Losses (-)	2.310.710	(1.164.640)	(3.182.395)	(1.254.277)
Total	(6.101.685)	(2.072.798)	(8.558.905)	(8.154.523)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2012**

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

	Note	Current Period	Previous Period
I. DISTRIBUTION OF PERIOD PROFIT			
1.1 PERIOD PROFIT		39,785,877	-
1.2 TAXES AND DUTIES PAYABLE (-)		(7,756,559)	-
1.2.2 Corporate tax (Income tax)		(5,655,167)	-
1.2.2. Income withholding tax		-	-
1.2.3 Other taxes and duties		(2,101,392)	-
A. NET PERIOD PROFIT (1.1-1.2)		32,029,318	-
1.3 PRIOR PERIODS' LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVES		(1,601,466)	-
1.5 COMPULSORY LEGAL FUNDS TO BE RETAINED AND INVESTED IN		(132,526)	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]		30,295,326	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		15,300,000	-
1.6.1 To Holders of Ordinary Shares		15,300,000	-
1.6.2 To Holders of Preferred Shares		-	-
1.6.3 To Holders of Participating Redeemed Shares		-	-
1.6.4 To Holders of Bonds Participating to Profit		-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates		-	-
1.7 DIVIDENDS TO PERSONNEL (-)		-	-
1.8 DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.9 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10 SECOND DIVIDEND TO SHAREHOLDERS (-)		13,632,115	-
1.10.1 To Holders of Ordinary Shares		13,632,115	-
1.10.2 To Holders of Preferred Shares		-	-
1.10.3 To Holders of Participating Redeemed Shares		-	-
1.10.4 To Holders of Bonds Participating to Profit		-	-
1.10.5 To Holders of Profit and Loss Sharing Certificates		-	-
1.11 SECOND LEGAL RESERVES (-)		(1,363,211)	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1 DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1 To Holders of Ordinary Shares		-	-
2.3.2 To Holders of Preferred Shares		-	-
2.3.3 To Holders of Participating Redeemed Shares		-	-
2.3.4 To Holders of Bonds Participating to Profit		-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates		-	-
2.4 DIVIDENDS TO PERSONNEL (-)		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES		0.09	-
3.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3 TO OWNERS OF PREFERRED SHARES		-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1 TO OWNERS OF ORDINARY SHARES		28,932,115	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PREFERRED SHARES		-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)		-	-