

AKSIGORTA ANONİM ŐİRKETİ

**CONVENIENCE TRANSLATION OF
STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2012
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**



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

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis Matter

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

Additional Paragraph for Convenience Translation into English

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

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



Cansen Başaran Symes, SMMM
Partner

Istanbul, 18 February 2013

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2012

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2012 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 18 February 2013



Uğur GÜLEN
Chief Executive Officer



Erkan ŞAHİNLER
Chief Financial Officer



Gülnur KURT
Accounting Manager



Şerafettin KARAKIŞ
Statutory Auditor



İlker YILDIRIM
Statutory Auditor

AKSİGORTA A.Ş.

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

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Audited Current Period (31/12/2012)	Audited Previous Period (31/12/2011)
A- Cash and Cash Equivalents		739,798,890	651,602,160
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	586,948,648	519,894,669
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	152,850,242	131,707,491
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	40,127,863	71,119,981
1- Financial Assets Available for Sale	11.1	33,884,888	57,579,393
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11.1	-	7,925,026
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	6,242,975	5,615,562
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations		294,690,957	316,454,044
1- Receivables From Insurance Operations	12.1	292,775,394	315,764,019
2- Provision for Receivables From Insurance Operations (-)	12.1	(1,866,354)	(2,883,354)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)	12.1	(1,292,903)	(1,935,641)
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30,954	30,954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	50,069,028	44,185,986
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(45,025,162)	(38,707,920)
D- Due from Related Parties		63,248	101,317
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	48,689
6- Due from Other Related Parties	45	63,248	52,628
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		8,304,568	4,280,137
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		136,892	90,853
4- Other Receivables	47	8,167,676	4,189,284
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		99,106,525	90,735,171
1- Deferred Commission Expenses		98,457,174	90,527,147
2- Accrued Interest and Rent Income		-	-
3- Deferred Income		-	-
4- Other Prepaid Expenses	47	649,351	208,024
G- Other Current Assets		6,103,124	3,574,788
1- Inventories		22	163,010
2- Prepaid Taxes and Funds		6,103,102	3,384,481
3- Deferred Tax Assets		-	-
4- Business Advances		-	2,814
5- Advances Given to Personnel		-	24,483
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		1,188,195,175	1,137,867,598

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

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

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

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

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

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

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

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT			
I-TECHNICAL PART	Note	Audited Current Period 01/01/2012- 31/12/2012	Audited Previous Period 01/01/2011- 31/12/2011
A- Non-Life Technical Income		945,610,034	803,182,042
1- Eamed Premiums (Net of Reinsurer Share)		904,528,880	769,337,244
1.1 - Written Premiums (Net of Reinsurer Share)	24	956,432,938	862,306,971
1.1.1 - Gross Written Premiums (+)		1,311,276,165	1,136,589,882
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(331,986,269)	(263,168,942)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(22,856,958)	(11,113,969)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(42,199,235)	(92,934,345)
1.2.1 - Unearned Premiums Reserve (-)		(77,990,059)	(107,560,211)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	31,059,540	8,322,210
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	4,731,284	6,303,656
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(9,704,823)	(35,382)
1.3.1 - Unexpired Risks Reserve (-)		(11,620,569)	1,765,597
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	1,915,746	(1,800,979)
2- Investment Income Transferred from Non-Technical Part		37,794,490	29,376,629
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income (+)		-	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		3,286,664	4,468,169
B- Non-Life Technical Expense (-)		(890,915,793)	(766,423,045)
1- Total Claims (Net of Reinsurer Share)		(607,008,664)	(537,993,020)
1.1- Claims Paid (Net of Reinsurer Share)		(633,190,285)	(543,692,609)
1.1.1 - Gross Claims Paid (-)		(743,384,523)	(651,632,962)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	110,194,238	107,940,353
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	26,181,621	5,699,589
1.2.1 - Outstanding Claims Reserve (-)		(96,058,164)	6,687,886
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	122,239,785	(988,297)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(6,491,314)	(4,864,295)
4- Operating Expenses (-)	32	(246,233,551)	(199,215,021)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)		(31,182,264)	(24,350,709)
6.1- Gross Other Technical Expenses (-)		(31,182,264)	(24,350,709)
6.2- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		54,694,241	36,758,997
D- Life Technical Income		977,354	967,362
1- Eamed Premiums (Net of Reinsurer Share)		40,428	111,704
1.1 - Written Premiums (Net of Reinsurer Share)	24	41,788	111,378
1.1.1 - Gross Written Premiums (+)		55,660	146,733
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(13,872)	(35,355)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(1,360)	326
1.2.1 - Unearned Premium Reserves (-)		2,231	3,502
1.2.2 - Unearned Premium Reserves Reinsurer Share (+)	17.16	(3,591)	(3,176)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1 - Unexpired Risks Reserves (-)		-	-
1.3.2 - Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		803,442	663,470
3- Unrealized Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		133,484	192,188
4.1- Gross Other Technical Income (+/-)		133,484	192,188
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-
E- Life Technical Expense		(906,218)	(745,761)
1- Total Claims (Net of Reinsurer Share)		(1,354,592)	(1,793,204)
1.1- Claims Paid (Net of Reinsurer Share)		(1,171,847)	(1,837,395)
1.1.1 - Gross Claims Paid (-)		(1,171,847)	(1,837,395)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(182,745)	44,191
1.2.1 - Outstanding Claims Reserve (-)		(181,818)	39,288
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	(927)	4,903
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		772,579	1,159,404
3.1- Mathematical Reserves (-)		771,036	1,159,404
3.1.1- Actuarial Mathematical Reserve (-)		1,196,544	579,732
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		(425,508)	579,672
3.2- Reinsurer Share of Mathematical Reserves (+)		1,543	-
3.2.1 - Reinsurance Share of Actuarial Mathematical Reserve (+)		1,543	-
3.2.2 - Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Operating Expenses (-)	32	(318,521)	(71,048)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		(5,684)	(40,913)
F- Life Technical Profit (D-E)		71,136	221,601
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

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

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

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

AKSİGORTA A.Ş.

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

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

AKSİGORTA A.Ş.

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY

(Audited)

TL

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I- Closing Balance of Prior Period (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 - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I+ II) (01/01/2012)	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- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	1,048,482	-	-	-	-	-	-	-	1,048,482
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	48,672,723	-	48,672,723
I- Dividend distributed	-	-	-	-	-	-	-	-	-	(28,932,115)	(28,932,115)
J- Transfer	-	-	-	-	-	2,964,678	-	132,526	(32,029,319)	28,932,115	-
II- Closing Balance (31/12/2012) (III+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	183,320	-	-	62,767,184	62	4,460,787	48,672,723	1,513,576	423,597,652

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

AKSİGORTA A.Ş.

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

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

AKSİGORTA A.Ş.

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY

(Audited)

TL

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2010)	306,000,000	-	-	-	-	59,802,506	62	4,046,557	1,476,010	319,270	371,644,405
II - Amendments in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2011)	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- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets	-	-	(865,162)	-	-	-	-	-	-	-	(865,162)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	-	132,526	-	132,526
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	31,896,793	-	31,896,793
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	281,704	(1,476,010)	1,194,306	-
II- Closing Balance (31/12/2011) (I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(865,162)	-	-	59,802,506	62	4,328,261	32,029,319	1,513,576	402,808,562

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

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

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

AKSİGORTA ANONİM ŞİRKETİ CASH FLOW STATEMENT			
			TL
	Note	Audited Current Period 31/12/2012	Audited Previous Period 31/12/2011
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		1,104,512,609	1,071,050,834
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(1,004,305,127)	(970,463,475)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		100,207,482	100,587,359
8. Interest payments (-)		-	-
9. Income tax payments (-)		(13,491,272)	(6,697,819)
10. Other cash inflows		37,979,461	73,636,752
11. Other cash outflows (-)		(57,424,916)	(92,344,022)
12. Net cash generated from the operating activities	39	67,270,755	75,182,270
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		1,900,379	1,604,767
2. Purchase of tangible assets (-)		-	-
3. Acquisition of financial assets (-)		26,184,258	(63,141,569)
4. Sale of financial assets		7,297,613	214,430,743
5. Interest received		59,502,032	46,808,432
6. Dividends received		-	-
7. Other cash inflows		21,523,421	22,540,722
8. Other cash outflows (-)		(63,987,733)	(55,667,412)
9. Net cash generated from the investing activities	39	52,419,970	166,575,683
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(28,932,115)	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	(28,932,115)	-
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		90,758,610	241,757,953
F. Cash and cash equivalents at the beginning of the period	14	647,651,672	274,186,230
G. Cash and cash equivalents at the end of the period (E+F)	14	738,410,282	515,944,183

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

AKSIGORTA A.Ş.

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

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

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

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

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

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

1.3 Main operations of the Company

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

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

Explained in Note 1.2 and Note 1.3.

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

	1 January - 31 December 2012	1 January - 31 December 2011
Top Management	11	10
Manager and Assistant Manager	101	82
Specialist/Responsible	582	527
Total	694	619

1.6 Remuneration and fringe benefits provided to top management

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

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

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

1. 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)

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

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

1.8 Stand-alone or consolidated financial statements

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

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

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

1.10 Subsequent Event

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

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

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

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

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

2. 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 the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated 31 May 2012 and numbered 2012/7.

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

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

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

a. Preparation of Financial Statements in Hyperinflationary Periods

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

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

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

2. Summary of the Accounting Policies (Continued)

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

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

b. Comparative Information and Restatement of Prior Period Financial Statements

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

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

c. Technical provisions

Unearned Premium Reserve

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

Deferred commission expense and income

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

Unexpired Risks Reserve

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

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

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

2. Summary of the Accounting Policies (Continued)

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

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

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

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

Claims provision

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

The Company accounts for additional provision for claims incurred but not reported which is calculated as the difference between the outstanding claims provision and the amount calculated by using the actuarial chain ladder methods in accordance with the framework of the Circular on “Actuarial Chain Ladder Method” numbered 2010/12 and dated 20 September 2010 effective from 30 September 2010 and other related regulations.

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

The right of choosing one of the methods is given to the insurance companies which will determine the method for each branch as at 31 December 2010 by evaluating the best adequate method for the portfolio company and will not change the method for 3 years. The peak claims which are mentioned as big claims are eliminated in 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 NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2012. In addition, according to the Circular numbered 2011/23, negative results in the ACLM calculations are fully included in IBNR calculation.

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

Equalization Reserve

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

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

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

Life mathematical reserves

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

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

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

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

2. Summary of the Accounting Policies (Continued)

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

d. Subrogation and salvage income

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

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

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

	31 December 2012					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1,381,845	(580,391)	801,454	423,539	(34,094)	389,445
Marine	1,175,927	(506,318)	669,609	485,652	(68,313)	417,339
Accident	88,007	-	88,007	-	-	-
Motor Own Damage	186,383,547	(13,005,141)	173,378,406	12,419,610	(869,373)	11,550,237
Water Crafts	7,927	(5,746)	2,181	-	-	-
General Losses	46,215	(26,514)	19,701	4,928	(2,812)	2,116
Motor Third Party Liabilit	4,629,962	(314,503)	4,315,459	1,794,801	(125,636)	1,669,165
Fidelity Guarantee	3,500	(2,811)	689	-	-	-
General Liability	106,438	(30,862)	75,576	65,006	(4,190)	60,816
Financial Losses	850	(765)	85	-	-	-
Health	79,427	-	79,427	32,206	-	32,206
Total	193,903,645	(14,473,051)	179,430,594	15,225,742	(1,104,418)	14,121,324

AKSİGORTA A.Ş.

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

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

2. Summary of the Accounting Policies (Continued)

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

	31 December 2011					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1,302,287	(759,342)	542,945	684,258	(132,185)	552,073
Marine	2,191,969	(1,757,007)	434,962	23,799	(1,483)	22,316
Accident	251,476	(85,436)	166,040	-	-	-
Motor Own Damage	140,083,697	(16,380,147)	123,703,550	15,412,555	(1,666,432)	13,746,123
Water Crafts	2,912	(2,912)	-	-	-	-
General Losses	72,640	(39,067)	33,573	26,682	(27,379)	(698)
Motor Third Party Liabilit	3,342,291	(376,834)	2,965,457	1,759,189	(190,208)	1,568,981
Fidelity Guarantee	26,750	(18,633)	8,117	-	-	-
Legal Protection	12,196	(1,220)	10,976	-	-	-
General Liability	32,157	(21,955)	10,202	3,065	(800)	2,265
Financial Losses	-	-	-	-	-	-
Health	873	-	873	-	-	-
Total	147,319,248	(19,442,553)	127,876,695	17,909,548	(2,018,487)	15,891,061

e. Premium Income and Claims

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

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

f. Receivables from Insurance Operations

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

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.

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

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

2. Summary of the Accounting Policies (Continued)

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

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

h. Subsequent Events

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

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

i. Provisions, Contingent Liabilities and Assets

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

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

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

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

j. Changes in Accounting Policies, Accounting Estimates and Errors

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

k. Corporate Taxation and deferred tax

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

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

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

2. Summary of the Accounting Policies (Continued)

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

Corporate Tax

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

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

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

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

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

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

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

Deferred income tax

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

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

2.1.2 Other related accounting policies for the understanding of financial statements

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

2.1.3 Functional currency

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

2.1.4 Rounding degree used in the financial statements

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.1.6 Adoption of New and Revised Standards

Changes in Turkish Financial Reporting Standards

Changes and interpretations in TMS/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 (revised), “Financial instruments: Disclosures” (Effective for annual periods starting on or after 1 July 2011),
- TFRS 1 (revised), “First-time implementation of UFRS”, Effective for annual periods starting on or after 1 July 2011),
- TMS 12 (revised), “Income Taxes”, (Effective for annual periods starting on or after 1 January 2012),

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

- TMS 1, (revised), “Presentation of Financial Statements” (Effective for annual periods starting on or after 1 July 2012),
- TMS 19 (revised), “Benefits to the employees” (Effective for annual periods starting on or after 1 January 2013),
- TFRS 9, “Financial Instruments”, (Effective for annual periods starting on or after 1 January 2015),
- TFRS 10, “Consolidated Financial Statements” (Effective for annual periods starting on or after 1 January 2013),
- TFRS 11, “Common Regulations” (Effective for annual periods starting on or after 1 January 2013).
- TFRS 12, “Disclosures related to the shares on other institutions” (Effective for annual periods starting on or after 1 January 2013).
- TFRS 13, “Fair Value Calculation” (Effective for annual periods starting on or after 1 January 2013).
- TAS 27 (revised), “Non-consolidated financial statements” (Effective for annual periods starting on or after 1 January 2013)
- TAS 28 (revised), “Subsidiaries and Shareholders” (Effective for annual periods starting on or after 1 January 2013)
- TFRYK 20, “Dismantling Costs During Production Related with Mines”, (Effective for annual periods starting on or after 1 January 2013),
- TFRS 7 (amendment), “Financial Implements: Explanations”, (Effective for annual periods starting on or after 1 January 2013),
- TMS 32 (amendment), “Financial Implements: Presentation”, (Effective for annual periods starting on or after 1 January 2014),
- TFRS 1 (amendment), “First time Appliance of IFRS”, (Effective for annual periods starting on or after 1 January 2013),
- Within the scope of developing the TFRS’s, amendments have been made within 5 standards; TFRS 1, TMS 1, TMS 16, TMS 32 and TMS 34. Effective for annual periods starting on or after 1 January 2013.

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

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

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

2 Summary of the Accounting Policies (Continued)

2.2 Consolidation

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

2.3 Segment Reporting

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

2.4 Discontinued Operations

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

2.5 Foreign Currency Translation

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

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

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

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

2.6 Property, Plant and Equipment

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.6 Property, Plant and Equipment (Continued)

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

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

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

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

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

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

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 NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

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

2.9 Financial Assets

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

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

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

Effective interest method

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

Available-for-sale financial assets

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

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

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

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

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

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

Financial asset risks attributable to life insurance policyholders

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

Loans and receivables

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

Associates

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

2.10 Impairment of Assets

Impairment of non-financial assets

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets (Continued)

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

Impairment of financial assets

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

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

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

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

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

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

2.11 Derivative Financial Instruments

None (31 December 2011: None).

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

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

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

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

2. Summary of the Accounting Policies (Continued)

2.14 Share Capital

As of 31 December 2012, the Company's nominal capital is TL 306,000,000 (31 December 2011: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each. The share capital structure of the Company is as follows:

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

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

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

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

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

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

2.15 Insurance and Investment Contracts - Classification

Insurance Contracts:

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts - Classification (Continued)

Investment Contracts:

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

Reinsurance agreements

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

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

The Company has surplus reinsurance 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, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

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

Premiums Transferred to Social Security Institution

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

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

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

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 communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Group has calculated the amount of the premiums to be ceded to SSI in 1 January - 31 December 2012 accounting period as TL 22,856,958 and an unearned premium reserve amounting to TL 11,034,941 as of 31 December 2012; classified under the accounts of “Premiums ceded to SSI” and “Change in SSI share of of Unearned Premiums Reserve”, respectively (Note 19).

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

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (31 December 2011: None).

2.17 Investment Contracts without Discretionary Participation Features

None (31 December 2011: None).

2.18 Borrowings

None (31 December 2011: None).

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

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

2. Summary of the Accounting Policies (Continued)

2.19 Deferred Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods

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

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

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

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

Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003 by the end of 22 July 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

2.20 Employee Benefits

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.21 Provisions

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

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

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

2.22 Accounting for revenues

Written Premium

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

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

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

Interest income and expense

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

Dividend income

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

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

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

2. Summary of the Accounting Policies (Continued)

2.23 Finance Lease - the Company as lessee

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

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

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

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

2.24 Profit Share Distribution

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2011, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota . Furthermore, it has been agreed upon to let public entities perform dividend distributions as staded 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.

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

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

3 Significant Accounting Estimates and Requirements

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

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

4 Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

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

4.1.2.1 Sensitivity to insurance risk

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

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

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

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

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

4. 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)

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

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

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

Outstanding Claim and Compensation Provision:

	31 December 2012				31 December 2011			
	Effect on	Reinsurance	Net Total	Gross Total	Reinsurance	Net Total		
	Current Period	Gross Total	Share of Total	Claims	Claims	Share of Total	Claims	Claims
	(Net)	Claims Liability	Claims	Liability	Liability	Claims	Liability	Liability
Unpaid Claims	(100,336)	348,643,696	(178,938,036)	169,705,660	241,855,905	(72,250,581)	169,605,324	
Claim Provisions (*)	18,524,540	39,150,961	(24,269,790)	14,881,171	49,880,628	(16,474,917)	33,405,711	
Clean-cut Effect (**)	7,757,417	-	-	-	-	-	-	
Non-life Total	26,181,621	387,794,657	(203,207,826)	184,586,831	291,736,533	(88,725,498)	203,011,035	
Life	(182,745)	3,915,287	(2,222)	3,913,065	3,733,469	(3,149)	3,730,320	
Grand Total	25,998,876	391,709,944	(203,210,048)	188,499,896	295,470,002	(88,728,647)	206,741,355	
	31 December 2011				31 December 2010			
	Effect on	Gross Total	Reinsurance	Net Total	Gross Total	Reinsurance	Net Total	
	Current	Claims	Share of Total	Claims	Claims	Share of Total	Claims	Claims
	Period (Net)	Liability	Claims	Liability	Liability	Claims	Liability	Liability
Unpaid Claims	(13,096,491)	241,855,905	(72,250,581)	169,605,324	241,980,996	(85,472,163)	156,508,833	
Claim Provisions (*)	11,422,568	49,880,628	(16,474,917)	33,405,711	56,443,423	(11,615,144)	44,828,279	
Clean-cut Effect (**)	7,373,512	-	-	-	-	-	-	
Non-life Total	5,699,589	291,736,533	(88,725,498)	203,011,035	298,424,419	(97,087,307)	201,337,112	
Life	44,191	3,733,469	(3,149)	3,730,320	3,779,414	(4,903)	3,774,511	
Grand Total	5,743,780	295,470,002	(88,728,647)	206,741,355	302,203,833	(97,092,210)	205,111,623	

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

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

	31 December 2012			31 December 2011		
	Gross Total	Reinsurance	Net Total	Gross Total	Reinsurance	Net Total
	Claims	Share of Total	Claims	Claims	Share of Total	Claims
	Liability	Claims Liability	Liability	Claims Liability	Claims Liability	Liability
Beginning of Period(1January)	241,855,905	(72,250,581)	169,605,324	241,980,996	(85,472,163)	156,508,833
Opened in the Period	851,344,161	(216,881,693)	634,462,468	653,345,266	(94,718,771)	558,626,495
Paid from Current Period (-)	(529,870,750)	78,420,796	(451,449,954)	(465,048,507)	76,816,797	(388,231,710)
Paid from Previous Period (-)	(214,685,620)	31,773,442	(182,912,178)	(188,421,850)	31,123,556	(157,298,294)
Period End						
Reported Claims	348,643,696	(178,938,036)	169,705,660	241,855,905	(72,250,581)	169,605,324

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

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

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

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

Accident period	1 January	1 January	1 January	1 January	1 January	1 January	1 January	Gross Claim
	2005- 31 December 2005	2006- 31 December 2006	2007- 31 December 2007	2008- 31 December 2008	2009- 31 December 2009	2010- 31 December 2010	2011- 31 December 2011	
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
Toplam Brüt Gerçekleşen Hasar	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

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

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

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

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on 19 January 2008. As a result of the Company’s capital adequacy calculation, it is TL 267,349,097 higher than required capital adequacy (31 December 2011: TL 285.755.747). Company’s equity is TL 178,447,968 higher than adequate amount of equity (31 December 2011: TL 132,761,200).

4.2.2 Financial risk factors

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

Market risk

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Exchange rate risk

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

Sensitivity to exchange rate risk

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

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

Interest rate risk

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

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

Price risk

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Credit risk

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

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

Liquidity risk

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

31 December 2012

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

31 December 2011

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Categories of Financial Assets

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

Fair value of financial assets

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

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Fair values of financial assets and level classifications

	31 December 2012	Category 1	Category 2	Category 3
Financial Assets Available for Sale	33,884,888	33,884,888	-	-
Unlisted Equity Shares	125,125	125,125	-	-
Government Bonds & Treasury Bills	33,759,763	33,759,763	-	-
Financial Investments with Risk on Policy Holders	6,242,975	6,242,975	-	-
Affiliates(*)	30,116,653	-	-	-
Total	70,244,516	40,127,863	-	-

	31 December 2011	Category 1	Category 2	Category 3
Financial Assets Held for Trading	7,925,026	7,925,026	-	-
Government Bonds & Treasury Bills	7,925,026	7,925,026	-	-
Financial Assets Available for Sale	57,579,393	57,579,393	-	-
Unlisted Equity Shares	130,566	130,566	-	-
Government Bonds & Treasury Bills	57,448,827	57,448,827	-	-
Financial Investments with Risk on Policy Holders	5,615,562	5,615,562	-	-
Affiliates(*)	30,116,653	-	-	-
Total	101,236,634	71,119,981	-	-

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

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

Financial assets:

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

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

Financial liabilities:

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

5. Segment information

5.1 Operating segments

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

AKSİGORTA A.Ş.

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

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the year ended 31 December 2012:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Third Party Liability	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	75,718,730	13,260,471	381,418,687	186,154,464	90,555,096	14,386,266	15,954,513	168,161,807	977,354	-	946,587,388
1- Earned Premiums (Net of Reinsurer Share)	66,819,050	12,023,753	374,412,737	177,625,876	83,001,218	13,629,840	15,055,411	161,960,995	40,428	-	904,569,308
1.1 - Premiums (Net of Reinsurer Share)	81,899,557	11,839,579	381,165,217	197,751,679	81,295,457	14,623,896	15,097,094	172,760,459	41,788	-	956,474,726
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(15,080,507)	256,064	(6,752,480)	(10,449,590)	1,665,074	(994,056)	(44,276)	(10,799,464)	(1,360)	-	(42,200,595)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	(71,890)	-	(9,676,213)	40,687	-	2,593	-	-	-	(9,704,823)
2- Other Technical Income (Net of Reinsurance Share)	8,899,680	1,236,718	7,005,950	8,528,588	7,553,878	756,426	899,102	6,200,812	936,926	-	42,018,080
TECHNICAL EXPENSES	(61,477,747)	(3,511,891)	(360,705,245)	(222,789,717)	(57,614,931)	(11,529,370)	(10,841,608)	(162,445,284)	(906,218)	-	(891,822,011)
1- Total Claims (Net of Reinsurer Share)	(30,716,034)	(1,196,188)	(260,545,401)	(169,292,722)	(16,138,322)	(7,461,331)	(5,323,375)	(116,335,291)	(1,354,592)	-	(608,363,256)
1.1- Claims Paid (Net of Reinsurer Share)	(27,167,770)	(3,837,315)	(286,138,424)	(169,775,114)	(12,241,838)	(7,749,758)	(6,307,593)	(119,972,473)	(1,171,847)	-	(634,362,132)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(3,548,264)	2,641,127	25,593,023	482,392	(3,896,484)	288,427	984,218	3,637,182	(182,745)	-	25,998,876
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(4,031,206)	-	(2,268,138)	-	(9,161)	(182,809)	-	-	766,895	-	(5,724,419)
3- Operating Expenses	(24,287,229)	(2,315,703)	(79,487,685)	(47,796,148)	(41,254,920)	(3,538,343)	(5,518,233)	(42,035,290)	(318,521)	-	(246,552,072)
4- Other Technical Expense (Net of Reinsurance Share)	(2,443,278)	-	(18,404,021)	(5,700,847)	(212,528)	(346,887)	-	(4,074,703)	-	-	(31,182,264)
	14,240,983	9,748,580	20,713,442	(36,635,253)	32,940,165	2,856,896	5,112,905	5,716,523	71,136	-	54,765,377
Investment income	-	-	-	-	-	-	-	-	-	70,357,756	70,357,756
Depreciation expense	-	-	-	-	-	-	-	-	-	(4,365,549)	(4,365,549)
Provisions account	-	-	-	-	-	-	-	-	-	(10,831,166)	(10,831,166)
Tax expense	-	-	-	-	-	-	-	-	-	(14,453,854)	(14,453,854)
Financial expenses	-	-	-	-	-	-	-	-	-	(46,915,648)	(46,915,648)
Other	-	-	-	-	-	-	-	-	-	115,807	115,807
Net Profit / (Loss)	14,240,983	9,748,580	20,713,442	(36,635,253)	32,940,165	2,856,896	5,112,905	5,716,523	71,136	(6,092,654)	48,672,723

AKSİGORTA A.Ş.

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

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the year ended 31 December 2011:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Third Party Liability	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	54,204,872	12,958,601	339,709,576	148,988,954	71,906,951	12,464,130	11,592,849	151,356,109	967,362	-	804,149,404
1- Earned Premiums (Net of Reinsurer Share)	50,563,841	12,422,769	325,948,529	143,505,774	65,623,903	11,985,342	10,948,692	148,338,394	111,704	-	769,448,948
1.1 - Premiums (Net of Reinsurer Share)	57,679,975	12,489,802	367,011,878	165,674,672	75,651,520	14,283,787	13,337,144	156,178,193	111,378	-	862,418,349
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(7,116,134)	(347,702)	(41,063,349)	(21,896,915)	(9,986,142)	(2,298,445)	(2,385,859)	(7,839,799)	326	-	(92,934,019)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	280,669	-	(271,983)	(41,475)	-	(2,593)	-	-	-	(35,382)
2- Other Technical Income (Net of Reinsurance Share)	3,641,031	535,832	13,761,047	5,483,180	6,283,048	478,788	644,157	3,017,715	855,658	-	34,700,456
TECHNICAL EXPENSES	(43,507,734)	(4,143,900)	(361,485,526)	(129,693,941)	(45,216,946)	(10,278,635)	(11,036,895)	(161,059,468)	(745,761)	-	(767,168,806)
1- Total Claims (Net of Reinsurer Share)	(21,450,132)	(2,195,398)	(273,104,246)	(94,049,083)	(10,360,412)	(8,114,757)	(7,368,384)	(121,350,608)	(1,793,204)	-	(539,786,224)
1.1- Claims Paid (Net of Reinsurer Share)	(19,665,955)	(1,392,851)	(262,652,788)	(113,584,851)	(7,403,285)	(9,161,652)	(6,384,718)	(123,446,509)	(1,837,395)	-	(545,530,004)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(1,784,177)	(802,547)	(10,451,458)	19,535,768	(2,957,127)	1,046,895	(983,666)	2,095,901	44,191	-	5,743,780
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(3,437,733)	-	(1,266,673)	-	(15,542)	(144,347)	-	-	1,118,491	-	(3,745,804)
3- Operating Expenses	(16,793,419)	(1,948,502)	(71,210,679)	(33,101,013)	(34,343,453)	(1,848,947)	(3,668,511)	(36,300,497)	(71,048)	-	(199,286,069)
4- Other Technical Expense (Net of Reinsurance Share)	(1,826,450)	-	(15,903,928)	(2,543,845)	(497,539)	(170,584)	-	(3,408,363)	-	-	(24,350,709)
	10,697,138	8,814,701	(21,775,950)	19,295,013	26,690,005	2,185,495	555,954	(9,703,359)	221,601	-	36,980,598
Investment income	-	-	-	-	-	-	-	-	-	57,604,191	57,604,191
Depreciation expense	-	-	-	-	-	-	-	-	-	(5,093,561)	(5,093,561)
Provisions account	-	-	-	-	-	-	-	-	-	(4,897,220)	(4,897,220)
Tax expense	-	-	-	-	-	-	-	-	-	(5,655,167)	(5,655,167)
Financial expenses	-	-	-	-	-	-	-	-	-	(41,641,560)	(41,641,560)
Other	-	-	-	-	-	-	-	-	-	(5,267,962)	(5,267,962)
Net Profit / (Loss)	10,697,138	8,814,701	(21,775,950)	19,295,013	26,690,005	2,185,495	555,954	(9,703,359)	221,601	(4,951,279)	32,029,319

AKSIGORTA A.Ş.

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

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

6. Tangible fixed assets

31 December 2012

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

31 December 2011

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

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

AKSIGORTA A.Ş.

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

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

7. Investment Properties

31 December 2012

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

31 December 2011

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

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

AKSIGORTA A.Ş.

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

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

8. Intangible Fixed Assets

31 December 2012

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

31 December 2011

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

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

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

The Company has no goodwill amount in its financial statements.

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

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

9. Investments in Affiliates

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

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

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

Financial Assets Available for Sale

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

Financial Investments with
Risks on Policy Holders

	31 December 2012			31 December 2011		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
	TL	TL	TL	TL	TL	TL
Government Bonds	5,672,011	6,242,975	6,242,975	5,206,276	5,615,562	5,615,562

AKSIGORTA A.Ş.

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

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

11. Financial Assets (Continued)

11.2 Subcategories of Financial Assets (Continued)

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

31 December 2012

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

31 December 2011

Equity Shares	Participati on Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.35	130,566	-	130,566
Unlisted		130,566	-	130,566
Total		130,566	-	130,566

The Company do not have assets held for trading as of 31 December 2012.

The financial assets held for trading as of 31 December 2011 are presented below:

31 December 2011

Financial Assets Held for Trading

	Cost Value TL	Fair Value TL	Book Value TL
Investment Funds	7,722,550	7,925,026	7,925,026
Total	7,722,550	7,925,026	7,925,026

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

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

11. 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:

Affiliates

Unlisted	31 December 2012			31 December 2011		
	Participation	Cost Value TL	Book Value TL	Participation	Cost Value TL	Book Value TL
	Rate %			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	31 December 2012	31 December 2011	31 December 2010
Financial Assets Available for Sale	183,320	(865,162)	-

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

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.

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

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

11. Financial Assets (Continued)

11.8. Financial Instruments

The Company does not apply any hedge accounting.

11.9 Effects of Exchange Rate Differences

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

12. Receivables and Payables

12.1 Details of the Company’s receivables

	31 December 2012	31 December 2011
Receivables from insurance operations		
Receivables from agencies	267,352,233	252,343,386
Receivables from reinsurance companies	11,220,047	49,622,518
Receivables from insurees	-	4,382
Subrogation and salvage receivables - net (note 2.1.1)	14,121,324	15,891,061
Rediscount on receivables from insurance operations (-)	-	(2,241,461)
Receivables from insurance operations	292,693,604	315,619,886
Other receivables	81,790	144,133
Cash Deposited For Insurance and Reinsurance Companies	30,954	30,954
Receivables from insurance and reinsurance companies	112,744	175,087
Subrogation receivables under legal follow up	27,268,570	20,919,266
Doubtful receivables from main operations	22,800,458	23,266,720
Receivables from main operations	342,875,376	359,980,959
Provision for receivables from insurance operations (-) (*)	(1,866,354)	(2,883,354)
Provision for subrogation receivables (-) (**)	(1,292,903)	(1,935,641)
Provisions for doubtful receivables from main operations (-) (***)	(17,756,592)	(17,788,654)
Provisions for subrogation receivables under legal follow up (-) (***)	(27,268,570)	(20,919,266)
Total amount of provisions for overdue and underdue doubtful receivable	(48,184,419)	(43,526,915)
Receivables from main operations - net	294,690,957	316,454,044

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from reinsurance operations.

(***) In balance sheet disclosed under provision for receivables from main operations

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

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

12. Receivables and Payables (Continued)

12.1 Details of the Company’s Receivables

Aging of receivables from insurance operations is as follows:

	31 December 2012	31 December 2011
0-60 days	7,095,923	13,547,600
61-90 days	1,821,343	1,074,134
90 days and over	3,292,436	3,258,264
Underdue receivables	280,596,646	297,914,975
Total	292,806,348	315,794,973

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

Type of Guarantee	31 December 2012		31 December 2011	
	Receivables	Doubtful Receivable	Receivables	Doubtful Receivable
Letters of Guarantee	28,924,738	5,000	35,775,792	-
Real Estate Pledges	71,983,035	6,141,547	73,654,108	6,871,797
Government Bonds and Equity	89,090	-	84,090	-
Other	627,857	-	664,518	-
Total	101,624,720	6,146,547	110,178,508	6,871,797

The Company books provision for 100% of doubtful receivables discluding 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	(18,708,843)	(8,651,890)
Collections	12,391,601	8,005,873
Closing Balance, 31 December	(45,025,162)	(38,707,920)

Aging of receivables from insurance operations is as follows:

	31 December 2012	31 December 2011
0-30 days	2,891	24,574
90 days and over	50,066,137	44,161,412
Total	50,069,028	44,185,986

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

Due to shareholders presented in the balance sheet amounting to TL 176,580 consists of unclaimed dividend payments attributable to prior periods (31 December 2011: TL 175,066).

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

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

12. Receivables and Payables (Continued)

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 107,771,267 (31 December 2011: TL 107,439,002).

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

31 December 2012

	Amount in Foreign	Exchange Rate	Amount (TL)
Banks (Foreign Currency)			
USD	1,632,629	1.7826	2,910,324
EUR	1,310,359	2.3517	3,081,571
GBP	3,730	2.8708	10,708
CHF	14,787	1.9430	28,731
Other			5,072
Total			<u>6,036,406</u>

	Amount in Foreign	Exchange Rate	Amount (TL)
Receivables from Insurance Operations			
USD	11,545,002	1.7826	20,580,121
EUR	8,984,174	2.3517	21,128,082
GBP	57,827	2.8708	166,010
CHF	4,986	1.9430	9,688
Other			638
Total			<u>41,884,539</u>

	Amount in Foreign	Exchange Rate	Amount (TL)
Outstanding Claims Reserve			
USD	(1,472,326)	1.7912	(2,637,230)
EUR	(550,468)	2.3630	(1,300,756)
Other			(153)
Total			<u>(3,938,139)</u>

	Amount in Foreign	Exchange Rate	Amount (TL)
Payables from Insurance Operations			
USD	(13,721,288)	1.7826	(24,459,568)
EUR	(8,211,797)	2.3517	(19,311,683)
Other			(14,111)
Total			<u>(43,785,362)</u>

Net Foreign Currency Position			<u>197,444</u>
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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

12. Receivables and Payables (Continued)

12.5 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below: (Continued)

31 December 2011

	Amount in Foreign	Exchange Rate	Amount (TL)
Banks (Foreign Currency)			
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			
Amerikan Doları	14,233,456	1.8889	26,885,575
Avro	4,773,493	2.4438	11,665,462
İngiliz Sterlini	4,749	2.9170	13,853
İsviçre Frangı	925	2.0062	1,856
Diğer			976
Toplam			<u>38,567,722</u>

	Amount in Foreign Currency	Exchange Rate	Amount (TL)
Outstanding Claims Reserve			
Amerikan Doları	(926,504)	1.8980	(1,758,505)
Avro	(457,397)	2.4556	(1,123,184)
Diğer			(5,466)
Toplam			<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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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

13. Derivative Financial Instruments

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

14. Cash and Cash Equivalents

	31 December 2012	31 December 2011
Cash at Banks	586,948,648	519,894,669
Time Deposit	584,460,407	515,964,457
Demand Deposit	2,488,241	3,930,212
Bank Guaranteed POS Receivables which Due Shorter Than 3 Months	152,850,242	131,707,491
Total	739,798,890	651,602,160
Interest Accrual on Cash and Cash Equivalents (-)	(1,388,608)	(3,950,486)
Cash Flow Based Grand Total	738,410,282	647,651,674
Blocked Deposits	95,005,640	101,833,705

15. Share Capital

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

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

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

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

Presented in the statement of changes in equity.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0,01 each. These shares are presented by Class 10 shares (31 December 2011: 30,600,000,000 shares with a nominal amount of TL 0,01each).

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

None (31 December 2011: None).

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

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

15. Share Capital (Continued)

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

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

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

	Number of Shares	
	31 December 2012	31 December 2011
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period	<u>30,600,000,000</u>	<u>30,600,000,000</u>

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

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

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

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

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

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

None (31 December 2011: None).

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

None (31 December 2011: None).

15.4 Share based payments

None (31 December 2011: None).

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

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

15. 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>31 December 2012</u>	<u>31 December 2011</u>
Increase / decrease in value recognized under the shareholders' equity in the current period	229,150	(1,081,452)
Deferred tax effect	(45,830)	216,290
Total	<u>183,320</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 financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders' equity

	<u>31 December 2012</u>	<u>31 December 2011</u>
	<u>Value increase / (decrease)</u>	<u>Value increase / (decrease)</u>
Beginning of the Period, 1 January	(865,162)	-
Increase / decrease in value recognized under the shareholders' equity in the current period	1,048,482	(865,162)
End of the Period	<u>183,320</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).

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

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

17. Insurance Liabilities and Reinsurance Assets

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

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

Branch	31 December 2012		31 December 2011	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	6,641,056	8,866,908	7,617,488	8,002,514
Government Bonds		6,242,216		5,618,002
Time Deposit		2,624,692		2,384,512
Non-Life	97,129,861	101,411,162	75,557,085	101,955,426
Government Bonds		9,030,214		2,506,233
Time Deposit		92,380,948		99,449,193
Total	103,770,917	110,278,070	83,174,573	109,957,940

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

	2012		2011	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period, 1 January	610	3,368,712	782	4,528,117
Participations in the Current Period		124,839		215,721
Leavings in the Current Period	(120)	(895,875)	(172)	(1,375,126)
End of Period, 31 March	490	2,597,676	610	3,368,712

Mathematical reserves amounting to TL 2,172,168 (31 December 2011: TL 2,570,229) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 425,508 (31 December 2011: TL 798,483) and cancelled polich numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Ready For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of 31.12.2012, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (31 December 2011: None).

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

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Branch	31 December 2012 Amount	31 December 2011 Amount
Motor Third Party Liability	2,386,848,559,534	2,060,035,998,091
Fire and Natural Disaster	171,740,549,853	103,775,053,369
General Losses	127,262,876,858	70,645,403,455
Marine	41,411,143,938	48,853,563,632
Accident	26,420,749,007	44,219,296,539
General Liability	23,619,356,546	37,608,696,688
Motor Own Damage	18,747,522,382	19,290,202,594
Financial Losses	13,809,812,239	9,893,068,460
Air Crafts Liability	9,664,263,100	1,798,945,845
Legal Protection	6,791,626,848	7,441,268,647
Health	5,126,036,000	697,057,249
Credit	2,242,403,049	709,150,774
Air Crafts	860,261,676	628,895,963
Water Crafts	369,187,530	352,782,471
Fidelity Guarantee	354,649,228	321,901,503
Life	5,350,676	9,403,712
Total	2,835,274,348,464	2,406,280,688,992

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 inprofit share calculation for life insurances with profit shares

None (31 December 2011: None).

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

None (31 December 2011: None).

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

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

None (31 December 2011: None).

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

None (31 December 2011: None).

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

None (31 December 2011: None).

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

None (31 December 2011: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

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

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

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

	1 January - 31 December 2012 Profit Share Distribution (%)	1 January - 31 December 2011 Profit Share Distribution (%)
TL (Life Insurance)	9.00%	7,31

17.15 Explanation of information that describes amounts arose from insurance agreements

None (31 December 2011: None).

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

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

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:

Reinsurance Assets

	31 December 2012	31 December 2011
Receivables from Reinsurance Companies	11,220,047	49,622,518
Cash Deposited For Insurance & Reinsurance Companies	30,954	30,954
Reinsurance Share of Unearned Premiums Reserve	166,809,244	139,116,703
Reinsurance Share of Outstanding Claims Reserve	203,210,049	88,728,647
Reinsurance Share of Unexpired Risks Reserve	2,204,045	288,299
Total	383,474,339	277,787,121

Reinsurance Liabilities

	31 December 2012	31 December 2011
Payables to Insurance and Reinsurance Companies	53,491,556	73,359,625
Payables to Agencies	21,409,072	21,938,906
Deferred Commission Income	22,361,119	21,439,084
Total	97,261,747	116,737,615

Income / Expense on Reinsurance Agreements

	1 January - 31 December 2012	1 January - 31 December 2011
Premiums Ceded to Reinsurers (-)	(354,857,099)	(274,318,266)
Commissions Received	45,814,958	39,060,761
Reinsurance Share of Unearned Premiums Reserve	35,790,548	14,622,690
Reinsurance Share of Unexpired Risks Reserve	1,915,746	(1,800,979)
Reinsurance Share of Outstanding Claims Reserve	122,242,008	(983,394)
Reinsurance Share of Claims Paid	110,194,238	107,940,353
Total	(38,899,601)	(115,478,835)

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

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

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	31 December 2012			31 December 2011		
	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(138,557,676)	32,568,851	22,902,792	(101,176,720)	5,228,662	23,494,419
General Losses	(89,240,417)	126,567,999	40,755,245	(53,655,381)	(1,300,802)	19,143,438
Motor Own Damage	(27,941,842)	(1,381,014)	22,419,668	(41,423,617)	6,230,447	34,779,044
Motor Third Party Liability	(39,424,845)	4,397,860	12,819,451	(31,192,587)	(2,927,703)	13,848,508
Financial Losses	(16,089,572)	2,100,471	75,672	(13,266,897)	(4,834,818)	5,319,914
General Liability	(13,190,463)	493,312	3,123,845	(12,246,373)	4,560,019	3,615,193
Marine	(10,665,019)	(5,773,289)	4,988,727	(9,587,653)	2,824,680	1,936,382
Air Crafts Liability	(7,370,704)	313,663	-	(3,711,430)	1,577,904	809
Credit	(3,291,698)	545,465	359,928	(1,460,872)	917,262	21,440
Fidelity Guarantee	(2,869,789)	136,624	189,607	(2,188,351)	415,343	48,992
Accident	(2,314,764)	(176,947)	577,964	(2,720,851)	(917,098)	814,349
Air Crafts	(1,598,689)	217,990	1,380,397	(1,059,806)	(1,224,120)	18,820
Water Crafts	(1,412,997)	26,797	575,050	(1,153,630)	(3,763,529)	3,689,965
Health	(874,752)	153,556	25,892	1,082,000	(1,231,781)	1,194,513
Legal Protection	-	(244,983)	-	(520,743)	(21,532)	14,567
Life	(13,872)	(2,975)	-	(35,355)	1,727	-
Total	(354,857,099)	159,943,380	110,194,238	(274,318,266)	5,534,661	107,940,353

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

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

AKSIGORTA A.Ş.

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

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

	2012	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	116,737,615	277,787,121
Movement in the Current Period	(19,475,868)	105,687,218
End of the Period, 31 December	<u>97,261,747</u>	<u>383,474,339</u>

	2011	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	60,547,066	270,696,800
Movement in the Current Period	56,190,549	7,090,321
End of the Period, 31 December	<u>116,737,615</u>	<u>277,787,121</u>

18. Investment Contract Liabilities

Disclosed in Note 17.2.

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

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

19. Trade and Other Payables, Deferred Income

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

	31 December 2012	31 December 2011
Payables to agencies	21,409,073	21,938,906
Rediscount on Payables from Insurance Operations (-)	-	(275,925)
Payables to Insurance and Reinsurance Companies	53,491,555	73,635,550
Payables from Insurance Operations	74,900,628	95,298,531
Payables to Contracted Enterprises	7,898,757	13,034,775
Payables to Turkish Catastrophe Insurance Pool	8,728,804	4,383,609
Payables to Suppliers	3,192,230	3,383,916
Turkish Catastrophe Insurance Pool Payables to Agencies	685,811	494,568
Payables to SSI regarding medical expenses (*)	12,061,079	7,058,985
Other	883,745	240,326
Other Payables	33,450,426	28,596,179
Deferred Commission Income	22,361,119	21,439,084
Expense Accruals	11,893,738	12,295,015
Deferred Income and Expense Accruals	34,254,857	33,734,099
Total Short Term Liabilities	142,605,911	157,628,809
Payables to SSI regarding medical expenses (*)	9,235,187	9,685,292
Total Long Term Liabilities	9,235,187	9,685,292
Total Trade and Other Payables, Deferred Income	151,841,098	167,314,101

(*) Movement of the payable to SSI related to medical expenses is presented below:

Beginning of the period, 1 January	-
The total amount of closed case rezerves and IBNR clearance (1)	4,599,245
Premium amount ceded to SSI (2)	11,113,969
The difference between amount of the liability declared within 2011 and the liability calculated (3)	2,001,016
Premium payments to SSI in current period	(969,953)
End of period - 31 December	16,744,277
Beginning of the period, 1 January	16,744,277
Premium amount ceded to SSI (4)	21,773,981
The difference between the amount declared and calculated over the premium amount between the dates 25 February 2011 - 26 August 2011 (5)	1,082,977
The difference between the liability noticed and calculated in current period (6)	4,734,085
Premium payments to SSI in current period	(23,039,054)
End of period - 31 December	21,296,266

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

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

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

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

- (1) As disclosed in Note 2.15, in accordance with the Communiqué numbered 2011/18, the Company has closed outstanding claim files regarding the claims related to treatment expenses dated before the enforcement of the Law and “incurred but not reported claims to be closed” calculated with respect to the related treatment expenses and classified the respective amounts to the “Paid claims” account. In accordance with the Communiqué numbered 2011/18, the Company has performed the ACLM provision calculations both including and excluding data related to treatment expenses as of 31 March 2011 and the difference between these calculations is determined as “incurred but not reported claims to be closed”. Accordingly, the Company transferred the closed claim files regarding the claims related to treatment expenses dated before the enforcement of the Law amounting to TL 3,783,062 and “incurred but not reported claims to be closed” calculated in accordance with the Communiqué numbered 2011/18 amounting to TL 816,183 totally amounting to TL 4,599,245 to the account “Paid Claims” and classified the total amount to the account “Payables to SSI regarding medical expenses-long term”. In accordance with the Communiqué numbered 2011/18, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under “Payables to SSI regarding medical expenses-short term”, “Payables to SSI regarding medical expenses- long term” and charged to other technical income or expense account. In this context, the Company has deducted TL 1,533,082 from short term payables, TL 3,066,163 from long term payables from the related liability accounts and recognized a corresponding amount of income in the current period income statement.
- (2) As disclosed in Note 2.15, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of 1 January – 30 June 2012 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 11,113,969 as of 1 January – 30 June 2012 and calculated an reinsurance share of unearned premium reserve amounting to TL 6,303,656 as of 30 June 2012. The amount of ceded premiums to SSI is classified under the account “Payables to SSI regarding treatment expenses - short term” and the payments made till 30 June 2012 are excluded from that account
- (3) In accordance with the Communiqué numbered 2011/17, The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.Regarding to this methodology,The company has excluded amount to TL 2,001,016 in accounts in order to account as other technical incomes for year of 2011 within notified liabilities.
- (4) As disclosed in Note 2.15, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of 1 January - 30 December 2012 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 21,773,981 as of 1 January – 30 December 2012 and calculated an reinsurance share of unearned premium reserve amounting to TL 11,034,941 as of 30 December 2012. The amount of ceded premiums to SSI is classified under the account “Payables to SSI regarding treatment expenses - short term” and the payments made till 30 December 2012 are excluded from that account.
- (5) In accordance with the 2012/3 numbered Communiqué, the Company has recalculated the certain amount of premiums to be ceded to SSI in relation with the policies issued after 25 February 2011 till the effective date of the regulation 26 August 2011 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches according to the fixed prices designated in accordance with the vehicle types in 2012/3 numbered Communiqué. Based on the aforementioned regulations, the Company has recorded the additional amount of the premiums to be ceded to SSI as TL 1,082,977 as of 1 January – 31 December 2012.
- (6) In accordance with the Communiqué numbered 2011/17 and 2012/4, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under “Payables to SSI regarding medical expenses” in balance sheet and charged to other technical income or expense account in income statement. In this context, the Company has added TL 4,734,085 to the related liability account by considering the 1 January – 31 December 2012 liability and recognized a corresponding amount of income in the current period “Other Technical Income”. The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications by Treasury in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.

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

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

19. 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	31 December 2012	31 December 2011
Unearned Premiums Reserve- Net (*)	448,114,008	400,786,528
Unexpired Risks Reserve- Net	10,020,873	316,051
Outstanding Claims Reserve-Net (**)	188,499,896	206,741,355
Life Mathematical Reserve-Net	2,597,676	3,368,712
Equalization Reserve-Net	22,199,697	15,708,383
Total	671,432,150	626,921,029

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 2,969,580, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off.

As disclosed in note 2.15, the reinsurers’ share of unearned premiums includes SSI share for the period between 1 January – 31 December 2012 which is TL 11,034,941 (2011: TL 6,303,656)

(**) Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2011 has taken part on 31 December 2011. According to the same agreements the portfolio additions have been made within the year 2012. The effect of portfolio additions TL 7,757,417 in 2012 netted – off from outstanding claims (note 4.1.2.4) (31 December 2011: TL 7,373,513)

21. Deferred Income Tax

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

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

22. Retirement and Welfare Liabilities

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

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

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

22. Retirement and Welfare Liabilities (cont’d)

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

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

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

Retirement Pay Provisions:

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

The amount payable consists of one month’s salary limited to a maximum of TL 3,125.01 for each period of service as of 31 December 2012 (31 December 2011: TL 2,731.85).

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

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

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

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

22. Retirement and Welfare Liabilities (Continued)

As the maximum liability is updated semi annually, the maximum amount of TL 3,033.98 effective from 1 January 2013 has been taken into consideration in calculation of provision from employment termination benefits (As of 1 January 2012, the ceiling on severance pay is TL 2,805.04 per month).

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

	31 Aralık 2012	31 Aralık 2011
Beginning of the Period, 1 January	2,650,075	2,167,753
Charge for the Period	596,143	1,074,025
Retirement Payments	(956,115)	(591,703)
End of the Period, 31 December	2,290,103	2,650,075

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	31 December 2012		31 December 2011	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, 1 January	1,976,488	856,815	2,150,394	749,883
Movements in the Current Period	(351,058)	(756,928)	(173,906)	106,932
End of the Period, 31 December	1,625,430	99,887	1,976,488	856,815

23.2 Off-balance sheet commitments

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

	31 December 2012		31 December 2011	
	Amount in Original Currency	Amount(TL)	Amount in Original Currency	Amount(TL)
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company's legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		116,947		243,621
	TL	106,469	106,469	232,415
	USD	5,878	10,478	5,933
		10,669,714		3,337,540
D. Total amount of other CPMs given		10,669,714		3,337,540
i. Total amount of CPMs given in favor of the parent company		-		-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C		-		-
iii. Total amount of CPMs given in favor of third parties not included in clause C		10,669,714		3,337,540
	TL	10,669,714	10,669,714	3,337,540
Total		10,786,661		3,581,161

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

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

23. Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	31 December 2012	31 December 2011
Outstanding Claims under Litigation (*)	89,992,650	86,521,267
Total	89,992,650	86,521,267
	31 December 2012	31 December 2011
Subrogation Receivable Litigations, Gross	36,978,122	29,854,943
Trade Receivable Litigations and Executions	11,491,644	12,142,213
Total	48,469,766	41,997,156

(*) As disclosed in note 2.1.1, net amount of discount was made over outstanding claim amount is TL 11,896,060 (31 December 2011: 8,805,614 TL).

23.4 Provision for Expense Accruals

	31 December 2012	31 December 2011
Commission Reserve	4,353,370	4,111,079
Performance Premium Reserve	3,511,728	2,237,855
Guarantee Fund Reserve	2,166,337	1,752,503
Vaccation Reserve	1,625,430	1,976,488
Other	236,873	2,217,090
Total	11,893,738	12,295,015

24. Net Insurance Premium Revenue

	1 January- December 2012	1 January- December 2011
Non-life Branches		
Motor Own Damage	381,165,219	367,011,881
Motor Third Party Liability	197,751,679	165,674,672
Health	172,760,459	156,178,193
Fire and Natural Disaster	81,899,557	57,679,974
General Losses	51,131,305	47,543,450
Financial Losses	32,752,054	20,649,337
Accident	13,564,230	20,624,000
Marine	11,259,511	12,112,763
General Liability	10,284,173	9,616,477
Legal Protection	2,980,077	4,688,594
Water Crafts	580,068	377,039
Fidelity Guarantee	248,819	135,235
Credit	55,257	15,323
Air Crafts	331	1
Air Crafts Liability	199	32
Total Non-life Branches	956,432,938	862,306,971
Life	41,788	111,378
Total	956,474,726	862,418,349

AKSİGORTA A.Ş.

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

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

25. Fee Income

None (31 December 2011:None).

26. Investment Income/(Expense)

	1 January- 31 December 2012	1 January- 31 December 2011
Interest Income	59,429,905	42,982,569
Repo Income	-	3,137
Rent Income	299,375	264,808
Total	59,729,280	43,250,514

27. Net Accrual Income on Financial Assets

	1 January- 31 December 2012	1 January- 31 December 2011
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	183,320	(865,162)
Total	183,320	(865,162)

28. Assets Held At Fair Value through Profit and Loss

Net gain/loss of assets held at fair value through profit and loss reflected to the income statement as of the balance sheet date is TL 5,130,804 (31 December 2011: TL 5,692,738).

29. Insurance Rights and Demands

	1 January- 31 December 2012	1 January- 31 December 2011
Outstanding Claims Reserve		
Motor Own Damage	25,593,022	(10,236,848)
Health	3,637,182	2,095,901
Marine	2,944,425	(797,504)
General Losses	1,135,757	230,920
Fidelity Guarantee	366,783	(64,655)
Accident	340,915	571,717
Motor Third Party Liability	251,358	19,535,768
Legal Protection	97,239	(149,168)
Credit	(19,581)	-
Water Crafts	(303,298)	(5,044)
General Liability	(1,316,564)	(1,121,663)
Financial Losses	(2,656,797)	(3,069,695)
Fire and Natural Disaster	(3,888,820)	(1,290,140)
Total Non-life	26,181,621	5,699,589
Life	(182,745)	44,191
Total (*)	25,998,876	5,743,780

(*) For current previous period comparison please refer to note 4.1.2.4.

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

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

30. Investment Agreement Rights

None (31 December 2011: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

	1 January- 31 December 2012	1 January- 31 December 2011
Commission Expense (-)	(211,652,993)	(170,302,482)
Commissions Received (+)	45,814,958	39,060,761
Employee Wages and Expenses (-)	(47,018,492)	(37,203,350)
Information Technology Expenses (-)	(8,354,491)	(5,699,839)
Transportation Expenses (-)	(3,677,024)	(2,811,783)
Meeting and Training Expenses (-)	(3,554,854)	(2,971,725)
Repair and Maintenance Expenses (-)	(3,211,465)	(3,354,363)
Advertisement Expenses (-)	(2,802,739)	(2,799,969)
Social Relief Expenses (-)	(2,495,780)	(2,021,022)
Rent Expenses (-)	(1,494,844)	(978,298)
Outsourcing Service Expenses (-)	(1,293,437)	(3,451,254)
Communication Expenses (-)	(1,228,464)	(930,981)
Other (-)	(5,582,447)	(5,821,764)
Total	(246,552,072)	(199,286,069)

31. Employee Benefit Expenses

	1 January- 31 December 2012	1 January- 31 December 2011
Salary and Bonus Payments	(45,218,414)	(35,855,483)
Insurance Payments	(582,008)	(463,832)
Other Payments	(1,218,070)	(884,035)
Total (Note 32)	(47,018,492)	(37,203,350)

32. Financing Costs:**34.1 Financial Expenses**

None (31 December 2011: None).

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

None (31 December 2011: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

None (31 December 2011: None).

AKSIGORTA A.Ş.

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

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

34. Financing Costs (Continued)

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

In the current period rent income from shareholder Hacı Ömer Sabancı Holding TL 13,268 (31 December 2011: TL 72,084).

34.5 The company does not apply hedge accounting.

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

None (31 December 2011: None).

35. Income Tax

<u>Current Tax Liability</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
Corporate Tax Liability Provision on Period Profit	14,453,854	5,655,167
Prepaid Taxes and Other Liabilities on Period Profit (-)	(7,836,105)	(2,660,185)
	<u>6,617,749</u>	<u>2,994,982</u>

<u>Tax (Expense) / Income is Formed by the Items Below:</u>	<u>1 January- 31 December 2012</u>	<u>1 January- 31 December 2011</u>
Current Tax Income / (Expense)	(14,453,854)	(5,655,167)
Deferred Tax Income / (Expense) due to Temporary Differences	2,685,300	(2,101,392)
Total Tax Income / (Expense)	<u>(11,768,554)</u>	<u>(7,756,559)</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>	<u>31 December 2012</u>	<u>31 December 2011</u>
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	(45,830)	216,290
Total	<u>(45,830)</u>	<u>216,290</u>

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

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

35. Corporate Tax (Continued)

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

Deferred Tax Assets / (Liabilities)	31 December 2012	31 December 2011
Useful Life Differences of Tangible and Intangible Assets		
Assets	279,296	(805,146)
Retirement Pay Provision	458,021	530,015
Unused Vacation Provision	325,086	395,298
Payable / Receivable Discounts		448,292
Technical Reserves	2,459,634	319,653
Doubtful Receivable Provisions	373,271	576,671
Other	656,515	663,861
Deferred Tax Assets / (Liabilities), Net	4,551,823	2,128,644

Movements of Deferred Tax Assets / (Liabilities):	1 January- 31 December 2012	1 January- 31 December 2011
Dönem başı, 1 Ocak	2,128,644	4,013,745
Gelir tablosunda muhasebeleştirilen ertelenmiş vergi geliri/(gideri)	2,685,300	(2,101,392)
Özkaynakta muhasebeleştirilen ertelenmiş vergi geliri	(262,121)	216,291
Closing Balance, 31 March	4,551,823	2,128,644

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

Reconciliation of Tax Provision:	1 January- 31 December 2012	1 January- 31 December 2011
Income Before Tax	60,441,277	39,785,878
Tax Calculated: 20%	(12,088,255)	(7,957,175)
Effect of Additions	(5,446,656)	(3,098,175)
Effect of Allowances	3,081,057	5,400,183
Corporate Tax Payable and Provision for Other		
Statutory Liabilities	(14,453,854)	(5,655,167)
Deferred Tax Income / (Expense)	2,685,300	(2,101,392)

36. Net Foreign Exchange Gain/Loss

Recognized in Profit / Loss:	1 January- 31 December 2012	1 January- 31 December 2011
Foreign Exchange Income	8,883,493	14,312,764
Foreign Exchange Expense	(9,121,158)	(12,264,931)
	(237,665)	2,047,833

AKSIGORTA A.Ş.

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

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

37. Earnings per Share

	2012	2011
Number of Equity Shares Outstanding Beginning Period, 1 January	<u>30,600,000,000</u>	<u>30,600,000,000</u>
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, 31 December	<u>30,600,000,000</u>	<u>30,600,000,000</u>
Weighted Average Number of Outstanding Shares	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	<u>48,672,723</u>	<u>32,029,319</u>
Earnings / (Loss) per Share (TL)	<u>0.159</u>	<u>0.105</u>

38. Dividends per share

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on 30 May 2012, all of the net profit consisted in financial statements which represents 2011 operating results have been distributed to shareholders after legal reserves are calculated over. The amount that distributed is TL 28,932,115 and profit per share is TL 0,105.

39. Cash Generated from the Operations

Net cash amount that generated from main operations, net cash generated from/used for investments, and net cash used for financing operations are in order : TL 67,705,755, TL 52,419,970 and TL (28,932,115) (31 December 2011: TL 75,182,269, TL 166,575,683 and None),

40. Equity Share Convertible Bonds

None (31 December 2010: None).

41. Cash Convertible Privileged Equity Shares

None (31 December 2010: None).

42. Risks

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

43. Commitments

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

44. Business Combinations

None (31 December 2011: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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	31 December 2012	31 December 2011
Enerjisa Enerji Üretim A.Ş	10,936,303	3,338,065
Sabancı Üniversitesi	3,984,954	4,211,051
Ak Finansal Kiralama A.Ş	3,342,333	2,800,100
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş	2,893,114	14,893
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	619,523	591,028
Temsa Global San. ve Tic. A.Ş	536,194	94,715
Akçansa Çimento San. ve Tic. A.Ş	296,777	280,934
Akbank Türk A.Ş.	249,708	55,941
Avivasa Emeklilik ve Hayat A.Ş	87,654	11,188
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	85,802	6,178
Olmuksa International Paper Sabancı Ambalaj San. ve Tic. A.Ş.	32,978	19,173
Teknosa İç ve Dış Ticaret A.Ş	22,331	36,439
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	21,362	453,260
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	17,629	35,132
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	13,416	14,061
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş	8,362	(282)
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.Ş	144	-
Ak Yatırım Ortaklığı A.Ş.	(114)	(26)
Hacı Ömer Sabancı Vakfı	(179)	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	(678)	390
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	(1,350)	(747)
Çimsa Çimento San. ve Tic. A.Ş	(2,026)	60,750
Yünsa Yünlü San. ve Tic. A.Ş	(2,804)	78,254
Hacı Ömer Sabancı Holding A.Ş	(10,524)	47,772
Başkent Elektrik Dağıtım A.Ş	(28,221)	185,885
TOTAL	23,102,688	12,334,154

(*) Amount TL 63,248 (31 December 2011: TL 52,628) of related party receivable balance is presented under “Other Related Party Receivable” line of financial statements. Rest of the balance is presented under “Receivable from Insurance Operations” line of financial statements.

AKSİGORTA A.Ş.

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

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

45. Related Parties (Continued)

Premium production

Insuree	1 January- 31 December 2012	1 January- 31 December 2011
Enerjisa Enerji Üretim A.Ş.	24,729,807	21,712,677
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	10,965,002	8,468,485
Ak Finansal Kiralama A.Ş.	8,344,032	7,193,578
Temsa Global San. ve Tic. A.Ş.	6,704,476	4,082,970
Akbank Türk A.Ş.	6,174,091	4,827,118
Sabancı Üniversitesi	5,708,715	4,606,334
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	5,136,190	2,791,560
Başkent Elektrik Dağıtım A.Ş.	5,043,970	2,921,432
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	4,168,964	3,773,432
Akçansa Çimento San. ve Tic. A.Ş.	3,850,950	3,483,576
Çimsa Çimento San. ve Tic. A.Ş.	3,803,871	3,210,359
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	3,022,911	2,283,115
Teknosa İç ve Dış Ticaret A.Ş.	3,022,691	1,028,154
Pmsa Philip Morris Sabancı Paz. ve Satış A.Ş.	2,770,943	2,679,828
Olmuksa International Paper Sabancı Ambalaj San. ve Tic. A.Ş.	2,537,426	2,209,539
Avivasa Emeklilik ve Hayat A.Ş.	2,403,880	2,136,721
Yünsa Yünlü San. ve Tic. A.Ş.	1,474,951	1,107,466
Hacı Ömer Sabancı Holding A.Ş.	1,141,584	2,033,313
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	311,223	255,572
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	302,081	279,717
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	272,196	367,270
Ak Yatırım Menkul Değerler A.Ş.	270,663	249,254
Ak Portföy Yönetimi A.Ş.	194,319	147,251
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.Ş.	131,523	107,957
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	87,056	70,289
Hacı Ömer Sabancı Vakfı	61,813	56,388
Ak Yatırım Ortaklığı A.Ş.	24,153	19,808
AEO (Hilton International)	8,865	1,890
TOTAL	102,668,346	82,105,052

Interest Received from Related Parties

Company	1 January- 31 December 2012	1 January- 31 December 2011
Akbank T.A.Ş.	45,384,456	33,707,715
Total	45,384,456	33,707,715

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

The company has donated TL 3,100,000 to Hacı Ömer Sabancı Foundation in 2012 (2011: 1,769,000 TL).

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

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

46. Subsequent Events

The Company has been subjected to tax investigation in the year 2012 regarding corporate tax calculation of the year 2010 and additional tax amounting to TL 60,9 million and its penalty amounting to TL 91.4 million has been charged to the Company at 4 February 2013. The Company will utilize its legal rights against the claims and in this respect no payment is planned at this stage. No provision is accounted for in the financial statements regarding this matter.

The tax investigation was related to the spin off transaction which was subject to tax investigation in 2010. Upon reconciliation with the Ministry of Finance, adjustments have been made on the tax burden and the inter-related tax penalty that have been charged to the Company in 2010, being TL101,5 million and TL 152,3 million respectively, where the tax penalty has been waived and the total tax burden of TL101,5 million has been decreased to TL8 million.

47. Other

Details of “Other” items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

Other Receivables	31 December 2012	31 December 2011
Receivables from Tarım Sigortaları A.Ş.	6,001,742	3,165,740
Other Receivables	2,165,934	1,023,544
Total	8,167,676	4,189,284

Other Payables	31 December 2012	31 December 2011
Payables to Contracted Enterprises	7,898,757	13,034,775
Payables to Turkish Catastrophe Insurance Pool	8,728,804	4,383,609
Payables to Suppliers	3,192,230	3,383,916
Turkish Catastrophe Insurance Pool Payables to Agencies	685,811	494,568
Other	883,745	240,326
Total	21,389,347	21,537,194

Other Prepaid Expenses	31 December 2012	31 December 2011
Prepaid Expenses	649,351	208,024
Total	649,351	208,024

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

47. Other (Continued))

<u>Income and Profit and Losses from Other and Extraordinary Activities</u>	<u>1 January- December 2012</u>	<u>1 January- December 2011</u>
Provisions Account (+/-)	(10,831,166)	(4,897,220)
Provisions for Doubtful Receivable	(5,325,397)	(466,503)
Retirement Pay Provision	(596,143)	(1,074,025)
Provisions for Other Expenses	(4,909,626)	(3,356,692)
Rediscount Account (+/-)	1,965,536	(191,244)
Compulsory Earthquake Insurance Account (+/-)	383,522	295,331
Deferred Tax Asset Account (+/-)	2,685,300	(2,101,392)
Other Income and Profit	2,103,711	2,304,626
Other Expenses and Losses (-)	(7,022,262)	(5,575,283)
Banking expenses	(4,632,626)	(3,623,074)
Previous Years' Losses	(889,769)	794,634
Other	(1,499,867)	(2,746,842)
<u>Total</u>	<u>(10,715,359)</u>	<u>(10,165,182)</u>

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

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

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF PROFIT DISTRIBUTION

TL

	Note	Current Period (01/01/2012 - 31/12/2012)	Previous Period (01/01/2011 - 31/12/2011)
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 (%)		-	-