

AKSIGORTA ANONİM ŐİRKETİ

**CONVENIENCE TRANSLATION OF
THE FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2011 AND
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 2011
(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 2011 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 2011, 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).

Additional Paragraph for Convenience Translation into English

5. 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, 14 March 2012

AKSİGORTA ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON
THE FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2011**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2011 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

Istanbul, 14 March 2012

Uğur GÜLEN
Chief Executive
Officer

Erkan ŞAHİNLER
Executive Vice
President of Finance

Gölnur TÜCCAR
Accounting Manager

Şerafettin KARAKIŞ
Statutory Auditor

İlker YILDIRIM
Statutory Auditor

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
TL			
ASSETS			
I- CURRENT ASSETS	Note	Audited Current Period (31/12/2011)	Audited Previous Period (31/12/2010)
A- Cash and Cash Equivalents		519.894.669	276.266.700
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	519.894.669	276.266.700
4- Cheques Given and Payment Orders (-)		-	-
5- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	71.119.981	228.101.897
1- Financial Assets Available for Sale	11.1	57.579.393	130.566
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11.1	7.925.026	220.741.421
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	5.615.562	7.229.910
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations		446.412.363	375.383.784
1- Receivables From Insurance Operations	12.1	443.786.697	372.922.655
2- Provision for Receivables From Insurance Operations (-)	12.1	(2.883.354)	(3.283.354)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
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	44.185.986	43.775.432
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(38.707.920)	(38.061.903)
D- Due from Related Parties		101.317	47.142
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	52.628	47.142
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		6.029.309	2.407.895
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		90.853	57.657
4- Other Receivables	47	5.938.456	2.350.238
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	47	90.735.171	67.364.246
1- Prepaid Expenses	47	90.735.171	67.364.246
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
G- Other Current Assets		3.574.788	6.024.230
1- Inventories		163.010	88.045
2- Prepaid Taxes and Funds		3.384.481	5.921.984
3- Deferred Tax Assets		-	-
4- Business Advances		2.814	14.201
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		1.137.867.598	955.595.894

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 31 DECEMBER 2010

(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 (31/12/2011)	Audited Previous Period (31/12/2010)
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- A 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			
		34.175.529	35.780.296
1- Investment Properties	7	854.189	1.041.477
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	22.144.295	23.689.508
6- Vehicles	6	32.050	49.550
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.414.980	2.348.015
8- Leased Tangible Fixed Assets	6	351.395	351.395
9- Accumulated Depreciation (-)	6, 7	(30.458.674)	(30.536.943)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets			
		8.854.103	7.844.050
1- Rights	8	15.594.992	11.756.263
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(6.740.889)	(3.912.213)
8- Advances Regarding Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals			
1- Prepaid Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
H- Other Non-current Assets			
		2.128.644	4.013.745
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	2.128.644	4.013.745
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		75.274.929	77.754.744
TOTAL ASSETS (I+II)		1.213.142.527	1.033.350.638

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
TL			
LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Audited Current Period (31/12/2011)	Audited Previous Period (31/12/2010)
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	95.298.531	60.547.066
1- Payables Due to Insurance Operations	19.1	95.298.531	60.547.066
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies	19.1	-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		175.066	820.184
1- Due to Shareholders	12.2	175.066	175.066
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	645.118
6- Due to Other Related Parties		-	-
D- Other Payables	47, 19.1	28.596.179	12.374.576
1- Deposits and Guarantees Received	47, 19.1	-	-
2- Other Payables	47	28.596.179	12.374.576
3- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		607.843.934	511.429.486
1- Unearned Premiums Reserve - Net	20	400.786.528	306.037.195
2- Unexpired Risk Reserves - Net	20	316.051	280.668
3- Life Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	206.741.355	205.111.623
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Life Insurance Policyholders - Net		-	-
7- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		13.273.694	15.624.239
1- Taxes and Dues Payable		9.407.915	7.340.067
2- Social Security Premiums Payable	23.1	856.815	749.883
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		13.982	57.563
5- Corporate Tax Liability Provision on Period Profit	35	5.655.167	7.476.726
6- Prepaid Taxes and Other Liabilities on Period Profit (-)		(2.660.185)	-
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19.1	33.734.099	43.370.723
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals	19.1	33.734.099	43.370.723
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		778.921.503	644.166.274

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 31 DECEMBER 2010

(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 (31/12/2011)	Audited Previous Period (31/12/2010)
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	47, 19.1	9.685.292	-
1- Deposits and Guarantees Received		-	-
2- Other Payables	47, 19.1	9.685.292	-
3- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		19.077.095	15.372.206
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17.2, 20	2.570.229	3.149.961
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Life Insurance Policyholders - Net	17.2, 20	798.483	1.378.156
7- Other Technical Reserves - Net	20, 47	15.708.383	10.844.089
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		2.650.075	2.167.753
1- Provision for Employment Termination Benefits	22	2.650.075	2.167.753
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		31.412.462	17.539.959

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
AT 31 DECEMBER 2011 AND 31 DECEMBER 2010**

(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 (31/12/2011)	Audited Previous Period (31/12/2010)
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 (-)		-	-
B- Capital Reserves		4.328.261	796.537
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		4.328.261	796.537
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		58.937.406	63.052.588
1- Legal Reserves		59.802.506	59.802.506
2- Statutory Reserves		62	62
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	3.250.020
5- Revaluation of Financial Assets	11.6, 16	(865.162)	-
6- Other Profit Reserves		-	-
D- Previous Years' Profits		1.513.576	319.270
1- Previous Years' Profits		1.513.576	319.270
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		32.029.319	1.476.010
1- Net Profit of the Period		31.896.793	1.476.010
2- Net Loss of the Period		-	-
3- Net Income not subject to distribution		132.526	-
Total Shareholders' Equity		402.808.562	371.644.405
Total Liabilities and Shareholders' Equity (III+IV+V)		1.213.142.527	1.033.350.638

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIODS ENDED 1 JANUARY - 31 DECEMBER 2011 AND 2010

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT				TL
I-TECHNICAL PART	Note	Audited	Audited	
		Current Period 01/01/2011- 31/12/2011	Previous Period 01/01/2010- 31/12/2010	
A- Non-Life Technical Income		840.204.378	678.141.186	
1- Earned Premiums (Net of Reinsurer Share)		769.337.244	599.207.671	
1.1 - Premiums (Net of Reinsurer Share)	24	862.306.971	634.835.590	
1.1.1 - Gross Premiums (+)		1.136.589.882	886.024.891	
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(274.282.911)	(251.189.301)	
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(92.934.345)	(37.743.152)	
1.2.1 - Unearned Premiums Reserve (-)		(107.560.211)	(30.660.690)	
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	14.625.866	(7.082.462)	
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(35.382)	2.115.233	
1.3.1 - Unexpired Risks Reserve (-)		1.765.597	11.779.811	
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	(1.800.979)	(9.664.578)	
2- Investment Income Transferred from Non-Technical Part		29.376.629	31.381.014	
3- Other Technical Income (Net of Reinsurer Share)		41.490.505	47.552.501	
3.1 - Gross Other Technical Income (+)		40.537.472	48.013.233	
3.2 - Reinsurance Share of Other Technical Income (-)		953.033	(460.732)	
B- Non-Life Technical Expense (-)		(803.445.381)	(656.560.966)	
1- Total Claims (Net of Reinsurer Share)		(537.993.020)	(446.397.926)	
1.1 - Claims Paid (Net of Reinsurer Share)		(543.692.609)	(453.547.775)	
1.1.1 - Gross Claims Paid (-)		(651.632.962)	(607.153.434)	
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	107.940.353	153.605.659	
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	5.699.589	7.149.849	
1.2.1 - Outstanding Claims Reserve (-)		6.687.886	43.742.708	
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	(988.297)	(36.592.859)	
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) (+/-)		(4.864.295)	(3.869.264)	
4- Operating Expenses (-)	32	(260.588.066)	(206.293.776)	
C- Non Life Technical Net Profit (A-B)		36.758.997	21.580.220	
D- Life Technical Income		967.362	1.173.347	
1- Earned Premiums (Net of Reinsurer Share)		111.704	195.401	
1.1 - Premiums (Net of Reinsurer Share)	24	111.378	195.070	
1.1.1 - Gross Premiums (+)		146.733	261.350	
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(35.355)	(66.280)	
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		326	331	
1.2.1 - Unearned Premium Reserves (-)		3.502	4.068	
1.2.2 - Unearned Premium Reserves Reinsurer Share (+)	17.16	(3.176)	(3.737)	
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		663.470	780.396	
3- Unrealized Income from Investments		-	-	
4- Other Technical Income (Net of Reinsurer Share)		192.188	197.550	
E- Life Technical Expense		(745.761)	(974.498)	
1- Total Claims (Net of Reinsurer Share)		(1.793.204)	(2.272.953)	
1.1 - Claims Paid (Net of Reinsurer Share)		(1.837.395)	(2.328.695)	
1.1.1 - Gross Claims Paid (-)		(1.837.395)	(2.328.695)	
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	44.191	55.742	
1.2.1 - Outstanding Claims Reserve (-)		39.288	50.839	
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	4.903	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 Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		579.732	539.428	
3.1 - Life Mathematical Reserves (-)		579.732	539.428	
3.2 - Life Mathematical Reserves Reinsurer Share (+)		-	-	
4 - Changes in Reserves for Life Insurance Policies Including Investment Risk (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		579.672	871.915	
4.1 - Reserves for Life Insurance Policies Including Investment Risk (-)		579.672	871.915	
4.2 - Reserves for Life Insurance Policies Including Investment Risk Reinsurer Share (+)		-	-	
5 - Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	(1)	
6- Operating Expenses (-)	32	(71.048)	(65.860)	
7- Investment Expenses (-)		-	-	
8- Unrealized Losses from Investments (-)		-	-	
9- Investment Income Transferred to Non- Technical Part (-)		(40.913)	(47.027)	
F- Life Technical Profit (D-E)		221.601	198.849	
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 STATEMENT OF INCOME FOR THE PERIODS ENDED 1 JANUARY - 31 DECEMBER 2011 AND 2010

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT			
II- NON TECHNICAL PART	Note	Audited	Audited
		Current Period 01/01/2011- 31/12/2011	Previous Period 01/01/2010- 31/12/2010
C- Non Life Technical Profit		36.758.997	21.580.220
F- Life Technical Profit		221.601	198.849
I- Individual Retirement Technical Profit		-	-
J- Total Technical Profit (C+F+I)		36.980.598	21.779.069
K- Investment Income		57.604.191	55.934.782
1- Income From Financial Investment	26	34.293.260	25.708.657
2- Income from Sales of Financial Investments	26	2.999.704	18.517.830
3- Revaluation of Financial Investments	26	5.692.742	2.339.688
4- Foreign Exchange Gains	36	14.312.764	9.069.589
5- Income from Affiliates	26	-	20.185
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	26	264.808	231.806
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		40.913	47.027
L- Investment Expenses (-)		(46.735.121)	(43.253.786)
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 (-)		(29.376.629)	(31.381.014)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(12.264.931)	(7.811.937)
7- Depreciation Expenses (-)	32	(5.093.561)	(4.060.835)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(10.165.182)	(25.507.329)
1- Provisions Account (+/-)		(4.897.220)	(18.178.878)
2- Discount account (+/-)		(191.244)	156.900
3- Mandatory Earthquake Insurance Account (+/-)		295.331	337.751
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35	(2.101.392)	5.439.936
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	1.509.992	5.464.047
8- Other Expense and Losses (-)	47	(5.575.283)	(18.727.085)
9- Prior Period Income	47	794.634	-
10- Prior Period Losses (-)		-	-
N- Net Profit / (Loss)		32.029.319	1.476.010
1- Profit / (Loss) Before Tax		37.684.486	8.952.736
2- Corporate Tax Liability Provision (-)	35	(5.655.167)	(7.476.726)
3- Net Profit (Loss)		32.029.319	1.476.010
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 2011 AND 2010

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

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 (31/12/2010)	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	-	-	-	-	-	-	-	-	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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2011 AND 2010

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

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 (31/12/2009)	306.000.000	-	1.734.945.658	128.338.906	-	104.134.439	62	360.637.913	-	34.965.827	2.669.022.805
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets	-	-	(1.734.945.658)	(128.338.906)	-	(44.331.933)	-	(360.637.913)	-	(3.250.020)	(2.271.504.430)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	3.250.020	-	-	3.250.020
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit	-	-	-	-	-	-	-	-	1.476.010	-	1.476.010
I- Dividend distributed	-	-	-	-	-	-	-	-	-	(30.600.000)	(30.600.000)
J- Transfer	-	-	-	-	-	-	-	796.537	-	(796.537)	-
II- Closing Balance (31/12/2010) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	-	-	-	59.802.506	62	4.046.557	1.476.010	319.270	371.644.405

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS FOR
THE PERIOD 1 JANUARY – 31 DECEMBER 2011 AND 2010**

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

AKSİGORTA ANONİM ŞİRKETİ CASH FLOW STATEMENT			
TL			
	Note	Audited	Audited
		Current Period (31/12/2011)	Previous Period (31/12/2010)
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		1.071.050.834	760.767.510
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(970.463.475)	(726.475.528)
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)		100.587.359	34.291.982
8. Interest payments (-)		-	-
9. Income tax payments (-)		(6.697.819)	(3.138.650)
10. Other cash inflows		73.636.752	49.365.557
11. Other cash outflows (-)		(92.344.022)	(63.657.319)
12. Net cash generated from the operating activities	39	75.182.270	16.861.570
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		1.604.767	6.184.397
2. Purchase of tangible assets (-)		-	(872.855)
3. Acquisition of financial assets (-)		(63.141.569)	(15.775.044)
4. Sale of financial assets		214.430.743	-
5. Interest received		46.808.432	43.196.999
6. Dividends received		-	20.185
7. Other cash inflows		22.540.722	9.350.979
8. Other cash outflows (-)		(55.667.412)	(46.300.908)
9. Net cash generated from the investing activities	39	166.575.683	(4.196.247)
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 (-)		-	(30.600.000)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	-	(30.600.000)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		-	-
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		241.757.953	(17.934.677)
F. Cash and cash equivalents at the beginning of the period	14	274.186.230	292.120.907
G. Cash and cash equivalents at the end of the period (E+F)	14	515.944.183	274.186.230

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 2011

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

1. General Information

1.1 Name of the Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of 31 December 2011. 38,02% (31 December 2010: 38,02%) of the Company is issued in İstanbul Stock Exchange (“İMKB”) (Note 2.14).

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

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

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

1.3 Main operations of the Company

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

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

Explained in Note 1.2 and Note 1.3.

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

	1 January - 31 December 2011	1 January - 31 December 2010
Top executive	10	10
Manager and assistant manager	82	79
Specialist/Responsible	527	497
Total	619	586

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 3.718.326 in total for the current year (1 January - 31 December 2010: TL 2.983.980).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

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

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

1.8 Stand-alone or consolidated financial statements

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of 31 December 2011.

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

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

1.10 Subsequent Events

The Company’s financial statements are approved and authorized for issuance as of 14 March 2011 by the Board of Directors and signed by General Manager Uğur Gülen in the name of the Board of Directors, Assistant General Manager Erkan Şahinler, Accounting Manager Gülnur Tüccar and legal auditors. Detail information about this issue is disclosed in Note 46. The mentioned financial statements are going to be finalized upon the approval of the General Assembly.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont’d)**

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.

In this respect, the below requirements are set out in regards to Article 4(2) of the Decree in the Sector Announcement No: 2008/9 issued on 18 February 2008:

TFRS 4 “Insurance Contracts” is applicable for the annual periods beginning on or after 31 December 2005. The Standard is effective as of 25 March 2006; however, it is not applicable for the current year since IASB has not yet completed the second phase of its project. Principles and procedures on the preparation of notes and disclosures in relation to insurance contracts will be set out by a decree that will be issued by the Undersecretariat of the Treasury in case of need. Based on sectoral announcement, TFRS 4 has not been applied on financial statements.

With reference to the notice of the 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” have been scoped out of this application. 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.

The Company accounts and recognizes its insurance technical provisions in its financial statements as of 31 December 2011 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 effective from 30 September 2010 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury’s statement no: 19387 issued on 4 April 2005, the Company’s financial statements as of 31 December 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on 15 November 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as at 31 December 2010, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of 31 December 2004 (for inputs prior to 31 December 2004) and carrying inputs subsequent to 31 December 2004 at nominal value.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company's balance sheet as of 31 December 2011 is presented in comparison with its balance sheet as of 31 December 2010. The Company's income statement, statement of changes in equity and cash flow statement for the year ended as of 31 December 2011 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 2010.

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

c. Technical provisions

Unearned Premium Reserve

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

Deferred commission expense and income

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

Unexpired Risks Reserve

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

The opening outstanding claims provision amount used in the derivation of expected loss ratio determined for the calculation of unexpired risk reserve as of 31 December 2011 has been recalculated to conform to the current period; and in accordance with the Circular numbered 2011/10 and dated 3 June 2011 published by Treasury, 100% of the closing and opening additional outstanding claims provision amount calculated in accordance with the new method were considered in the derivation of expected loss ratio determined for the calculation of unexpired risk reserve as of 31 December 2011.

In accordance with the Communiqué numbered 2011/18, in the calculation of expected loss ratio used for the calculation of unexpired risk reserve as of 31 December 2011, all amounts related to the premiums and losses to be ceded to Social Security Institution ("SSI") are required to be deducted from the numerator and denominator. In this context, the amounts related to prior year premiums are calculated based on the principles used in the calculation of current year ceded premiums and opening unearned premium reserve used for the calculation of unexpired risk reserve has been restated for the related branches. During this calculation, the announced amounts stated in the Communiqué numbered 2011/17 for the compulsory traffic policies have been discounted by 8% for the policies written before 31 December 2010. In addition, the amounts determined using the figures stated in the Communiqué numbered 2011/17 for the policies issued between

1 January and 25 February 2011 are included in the premiums ceded to SSI for the calculation of the unexpired risk reserve. On the other hand, the treatment expenses in the context of the Law and the effects of such expenses are excluded from the paid claims, opening and closing outstanding claim provisions including incurred but not reported claims included in the calculation.

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 316.051 as of 31 December 2011 (31 December 2010: TL 280.668) (Note 20).

Claims provision

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

The difference between the reported outstanding claims and the ultimate amount determined within the framework of the "Communiqué related to the Actuarial Chain Ladder Method" ("Communiqué") dated 20 September 2010 and numbered with 2010/12, the difference between the reported outstanding claims is taken into account as incurred but not reported claim amount.

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

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

In order to test the adequacy of the incurred but not reported claim reserve calculated by ACLM, another test is performed. During the calculation of incurred but not reported amounts calculated by the aforementioned calculation, premium amount for 5 years and the claims amounts incurred in these 5 years but reported in the following years are taken into account by deducting collections from salvage and subrogation. The result of this calculation is compared with the result calculated by ACLM in total and the higher one is considered as the incurred but not reported claims reserve. The Company has made the aforementioned comparison and determined the result of the calculation performed in order to test the adequacy of reserve calculated by ACML as incurred but not reported reserve.

As discussed in Note 2.15, in accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Bus Compulsory Personal Accident", outstanding claim files regarding to the claims dated before the enforcement of the Law are closed and the related amount has been classified under "Paid Claims". Besides, the treatment expenses in the context of the Law and the effects of such expenses are excluded from the paid claims, opening and closing outstanding claim provisions including incurred but not reported claims included in the calculation. The paid and outstanding claims; and salvage and claim recovery income related to the treatment expenses in the context of the Law are excluded from incurred but not reported claim provision and claim adequacy calculations as of 31 December 2011.

As of 31 December 2011, the Company could not eliminate the treatment expenses systematically from the data used in the calculations of incurred but not reported claims provision. In accordance with the Communiqué named "Communiqué about the Use of Equalization Reserve and Additional Explanations Related to Some Communiqués", dated 13 February 2012 and numbered 2012/12 ("Communiqué no: 2012/1"), companies who cannot eliminate the treatment expense in the context of Law systematically, are allowed to use the realized ratios in the paid claims for the outstanding claims data if they can. Companies who cannot eliminate the treatment expense also from their paid claims; are allowed to calculate the share of treatment expenses from the realized paid claims in March, June, September and December of 2008 and deduct the treatment expenses by this ratio from the data used for the calculation of incurred but not reported claims reserve.

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

In accordance with the Communiqué, during the determination of incurred but not reported claims reserve recognized in the financial statements, minimum 80% of the result for 2010, minimum 90% of the result in 2011 and all of the result in 2012 should be taken into consideration. The Company has taken 100% (31 December 2010: 80%) of the incurred but not reported claims reserve into consideration and recognized additional claim reserve amounting to TL 33.405.711 as of 31 December 2011. Had the Company taken into account 100% of provision for incurred but not reported claims as of 31 December 2010, outstanding claims provision at 31 December 2010 would have increased by TL 11.207.070.

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont’d)**

In accordance with “The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)” dated 26 December 2011 and numbered 2011/23 (the “Communiqué numbered 2011/23”), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2011. The Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favour of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years time as of 31 December 2011. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. Since the Company does not have historical information for 5 years, in accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 15% for the branches with winning ratios over 15%. The Company has made the calculation from the information in gross basis and has determined reinsurance share of the discounted amount based on the average reinsurance share of legal claim files in branch basis.

The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is 8.805.614 (31 December 2010 : None). 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 2011, are explained below:

<u>Sub-branch</u>	<u>Ratio (%)</u>
Third Party Liability	15%
Electronic Device	15%
Commodity	15%
Personal Accident	15%
Theft	15%
Employee Financial Liability	15%
Motor Vehicles Third Party Liability	15%
Construction	15%
Employment	15%
Motor Own Damage	15%
Machinery Break	15%
Professional Liability	15%
Bus Compulsory Personal Accident	15%
Health	15%
Water Craft	11%
Compulsory Traffic	15%
Fire	15%
Compulsory Earthquake	15%
Compulsory Transportation Liability	6%

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

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

Branch	Applied Method	31 December 2011		31 December 2010	
		Gross Reserve (100%)	Net Reserve (100%)	Gross Reserve (80%)	Net Reserve (80%)
Fire and Natural Disaster (*)	Munich	3.361.078	922.438	(3.952.538)	(1.081.285)
Marine	Munich	1.250.837	453.606	1.014.800	403.497
Accident	Munich	1.558.181	993.722	2.659.760	1.475.014
Motor Own Damage (*)	Munich	(15.473.307)	(13.937.729)	(10.054.712)	(8.416.328)
Air Crafts (*)	Munich	-	-	(14.741)	(2)
Water Crafts (*)	Munich	247.849	31.468	(287.074)	(19.898)
General Losses	Munich	3.850.941	753.531	8.014.360	1.685.629
Motor Third Party Liability	Munich	44.771.676	40.089.638	59.068.253	50.211.352
Air Crafts Liability (*)	Munich	526.929	-	(355.579)	-
General Liability	Munich	5.506.037	1.218.792	2.721.358	543.174
Financial Losses (*)	Munich	1.171.097	886.123	(2.414.856)	(95.908)
Legal Protection (*)	Munich	38.599	34.739	(14.974)	(13.477)
Credit (*)	Munich	847.196	-	(25.347)	-
Health	Munich	1.913.014	1.873.918	175.279	163.563
Fidelity Guarantee (*)	Munich	310.501	85.465	(90.566)	(27.052)
Total		49.880.628	33.405.711	56.443.423	44.828.279

(*) For the branches with negative results according to the ACLM calculation, 50% of the negative results is taken into account according to the Communique dated 14 January 2011 numbered 2011/1.

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 2011	31 December 2010
Motor Third Party Liability	87.660	84.246

In accordance with the Communique numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Compulsory Motor Personal Accident", the medical care claims are excluded from the incurred but not reported claims reserve calculation performed with both ACLM and the test IBNR method.

The provision calculated by ACLM and by the method performed for testing the result calculated by ACLM are made in gross basis; and the incurred but not reported claim reserve determined by comparing the results of both methods in gross basis is net off based on the reinsurance agreements in force. The Company has used the reinsurance share of outstanding claims in total by taking its reinsurance agreements in force.

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

Equalization Reserve

In accordance with the Regulation on Technical Reserves, effective from 1 January 2009, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

The insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalisation reserve, provided that no deduction has been made from current year charge to the reserve. The Company has not made any deduction from equalisation reserve related to the earthquake occurred in 2011 as of 31 December 2011.

The Company has accounted for an equalisation reserve of TL 15.708,383 as of 31 December 2011 (31 December 2010: TL 10.844.089) (Note 20).

Life profit share and mathematical reserves

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

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

d. Subrogation and salvage income

Within the framework of the "Circular on Salvage and Subrogation Income" numbered 2010/13 and dated 20 September 2010 issued by the Undersecretariat for the Treasury, the Company recognizes receivables from salvage and subrogation under the account "Receivables from main operations" on an accrual basis as of 31 December 2011 up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquittance or document agreed on payment from individuals and notification is made to individuals or insurance company. Doubtful receivables provision for these receivables is accounted in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

Accordingly, accrued receivables from salvage and subrogation TL 36.810.327 (31 December 2010: TL 32.342.158), doubtful receivables provision for these receivables from salvage and subrogation and TL 20.919.266 (31 December 2010: TL 20.113.801) (Note 12.1).

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

	31 December 2011					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1.302.287	(759.342)	542.945	6.009.383	(4.102.669)	1.906.714
Marine	2.191.969	(1.757.007)	434.962	4.452.005	(3.065.747)	1.386.258
Accident	251.476	(85.436)	166.040	1.188	(700)	488
Motor Own Damage	140.083.697	(16.380.147)	123.703.550	28.408.546	(3.237.896)	25.170.650
Water Crafts	2.912	(2.912)	-	98.838	(74.636)	24.202
General Losses	72.640	(39.067)	33.573	1.829.253	(1.612.672)	216.581
Motor Third Party Liability	3.342.291	(376.834)	2.965.457	8.912.369	(818.158)	8.094.211
Fidelity Guarantee	26.750	(18.633)	8.117	-	-	-
Legal Protection	12.196	(1.220)	10.976	-	-	-
General Liability	32.157	(21.955)	10.202	10.954	-	10.954
Financial Losses	-	-	-	2.690	(2.421)	269
Health	873	-	873	-	-	-
Total	147.319.248	(19.442.553)	127.876.695	49.725.226	(12.914.899)	36.810.327
	31 December 2010					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	798.379	(528.054)	270.325	5.971.628	(3.949.681)	2.021.947
Marine	1.667.939	(1.146.335)	521.604	5.765.326	(3.962.372)	1.802.954
Accident	76.192	(30.250)	45.942	3.819	(1.516)	2.303
Motor Own Damage	85.005.532	(10.869.001)	74.136.531	25.867.604	(3.307.492)	22.560.112
Water Crafts	-	-	-	97.812	(92.409)	5.403
General Losses	127.207	(78.050)	205.257	917.029	(562.659)	354.370
Motor Third Party Liability	2.609.859	(410.000)	2.199.859	6.637.856	(1.042.787)	5.595.069
General Liability	4.395	(3.248)	1.147	-	-	-
Total	90.289.503	(13.064.939)	77.379.518	45.261.074	(12.918.916)	32.342.158

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont’d)**

e. Premium Income and Claims

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

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

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323 and IAS 39 Impairment Principles, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. The Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 17.788.654 (31 December 2010: TL 17.948.102), provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 2.883.354 (31 December 2010: TL 3.283.354). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 20.919.266 (31 December 2010: TL 20.113.901) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Rediscount of Receivables and Payables

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

h. Earnings per Share

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

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

i. Subsequent Events

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

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

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont'd)**

j. Provisions, Contingent Liabilities and Assets

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

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

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

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

k. Changes in Accounting Policies, Accounting Estimates and Errors

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

l. Taxation and deferred tax

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

Corporate Tax

Corporate tax for 2011 is payable at a rate of 20% in Turkey (2010: 20%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed.

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

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

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**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(cont’d)**

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

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

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

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

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since these conditions in question were not fulfilled in 2010 and in 2009, no inflation adjustments were performed (Note 35).

Deferred income tax

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

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

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2.1.2 Other related accounting policies for the understanding of financial statements

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

2.1.3 Functional currency

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

2.1.4 Rounding degree used in the financial statements

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

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

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

2.1.6 Adoption of New and Revised Standards

Changes in Turkish Financial Reporting Standards:

Changes and interpretations in TMS/IFRS those are effective for the periods and the year starting from 1 January 2011 and not relevant for the financial statements of the Company:

- TMS 32 (amendment), “Financial instruments: Presentation”, (is effective for annual periods beginning on or after 1 February 2010),
- TFRIC 19, “Extinguishing financial liabilities with equity instruments”, (is effective for annual periods beginning on or after 1 July 2010),
- TFRS 1 (amendment), “First-time adoption of IFRS”, (is effective for annual periods beginning on or after 1 July 2010),
- TMS 24 (revised), “Related party disclosures”, (is effective for annual periods beginning on or after 1 January 2011),
- TFRIC 14 (amendment), “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction”, (is effective for annual periods beginning on or after 1 January 2011),
- Standards in the scope of 2010 Annual Development Project are valid for the reporting periods that start after 1 January 2011. The above mentioned project includes the amendments in 6 standards and 1 comment below:
 - TFRS 1, “First-time adoption of IFRS”,
 - TFRS 3, “Business Combinations”,
 - TFRS 7, “Financial Instruments: Explanations”,
 - TMS 1, “Presentation of Financial Statements”,
 - TMS 27, “Consolidated and Unconsolidated Financial Statements”,
 - TMS 34, “Interim Financial Reporting”,
 - TFRYK 13, “Client Loyalty Programmes”.

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2.1.6 Adoption of New and Revised Standards (Cont'd)

Changes and interpretations in the standards that are not yet effective and have not been adopted early by the Company:

- TFRS 7 (amendment), "Financial instruments: Disclosures", (is effective for annual periods beginning on or after 1 July 2011),
- TFRS 1 (amendment), "First-time adoption of IFRS", (is effective for annual periods beginning on or after 1 July 2011),
- TMS 12 (amendment), "Income taxes", (is effective for annual periods beginning on or after 1 January 2012),
- TMS 1 (amendment), "Presentation of financial statements", (is effective for annual periods beginning on or after 1 July 2012),
- TMS 19 (amendment), "Employee benefits", (is effective for annual periods beginning on or after 1 January 2013),
- TFRS 9, "Financial instruments", (is effective for annual periods beginning on or after 1 January 2015),
- TFRS 10, "Consolidated financial statements", (is effective for annual periods beginning on or after 1 January 2013),
- TFRS 11, "Joint arrangements", (is effective for annual periods beginning on or after 1 January 2013),
- TFRS 12, "Disclosures of interests in other entities", (is effective for annual periods beginning on or after 1 January 2013),
- TFRS 13, "Fair value measurement", (is effective for annual periods beginning on or after 1 January 2013),
- TMS 27 (revised), "Separate financial statements", (is effective for annual periods beginning on or after 1 January 2013),
- TMS 28 (revised), "Associates and joint ventures", (is effective for annual periods beginning on or after 1 January 2013).

Legislations in effect as of 1 January 2012 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):

- Regarding to 14 January 2011 dated and 2011/1 numbered Regulation, for the branches with negative effect in the calculation of incurred but not reported compensation reserve, amounts taken into account as 50%, are going to be taken as 100% beginning with 1 January 2012.
- In the calculations of incurred but not reported compensation reserve after 1 January 2012, data of accrued claim recovery, salvage and related income is also going to be taken into account.

The Company's work over defining the effects of the changes, came out within the standards and comments above and 2011/23 numbered Notice's appliance, over the Company's subsequent unconsolidated financial tables.

2.2 Consolidation

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

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2.3 Segment Reporting

Decision-making within the enterprise business segment reporting is designed to provide uniformity in reporting to the competent authorities. Operating decision maker authorized to take decisions about resources to be allocated to the segment, is responsible for the receipt and evaluation and its performance. Reporting of operating segments described in detail in Note 5.

2.4 Discontinued Operations

The company does not have any discontinued or disposed operations as of 31 December 2011 and 31 December 2010.

2.5 Foreign Currency Translation

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

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

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

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

2.6 Property, Plant and Equipment

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

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

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

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

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

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2.6 Property, Plant and Equipment (cont’d)

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.

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

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

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

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2.9 Financial Assets

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

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

Financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss”, “held-to-maturity investments”, “available-for-sale” financial assets and “loans and receivables”. The Company does not have any financial assets classified as held-to-maturity investments (31 December 2010: None).

Effective interest method

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

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

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

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

Available-for-sale financial assets

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

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

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

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2.9 Financial Assets (cont'd)

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 insureds are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

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

Associates and Affiliates

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

2.10 Impairment of Assets

Impairment of non-financial assets

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

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

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

Impairment of financial assets

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

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2.10 Impairment of Assets (cont'd)

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

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of expected future cash flows calculated by discounting with the effective interest rate.

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

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

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

2.11 Derivative Financial Instruments

None (31 December 2010: None).

2.12 Netting of Financial Instruments (Offsetting)

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

2.13 Cash and Cash Equivalents

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

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2.14 Share Capital

As of 31 December 2011, the Company's nominal capital is TL 306.000.000 (31 December 2010: 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 2011		31 December 2010	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	33,11	101.322.754	61,98	189.658.800
Ageas Insurance International NV	33,11	101.322.754	-	-
Other	33,78	103.354.492	38,02	116.341.200
	100,00	306.000.000	100,00	306.000.000

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

Company's ultimate owners have purchased Aksigorta shares in circulation in Istanbul Stock Exchange amounting to 1.298.670.800 units in total and increased their shares equally until 31 December 2011.

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 2011, the Company's registered share capital is TL 500.000.000 (31 Aralık 2010: TL 500.000.000).

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

2.15 Insurance and Investment Contracts - Classification**Insurance Contracts:**

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

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

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2.15 Insurance and Investment Contracts - Classification (cont’d)

Insurance Contracts (cont’d):

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

Investment Contracts:

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

Reinsurance agreements

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

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

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

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

Premiums Transferred to Social Security Institution

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

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2.15 Insurance and Investment Contracts - Classification (cont'd)

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 and numbered 2011/18 (the "Communiqué numbered 2011/18") (Note 19).

Within this framework, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued after 25 February 2011 in "Compulsory Transportation Liability", "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 Company has calculated the amount of the premiums to be ceded to SSI as TL 11.113.969 (31 December 2010: None) and an unearned premium reserve amounting to TL 6.303.656 (31 December 2010: None) on a daily basis on these premiums and; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of of Unearned Premiums Reserve", respectively (Note 19).

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

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (31 December 2010: None).

2.17 Investment Contracts without Discretionary Participation Features

None (31 December 2010: None).

2.18 Borrowings

None (31 December 2010: None).

2.19 Taxes

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

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

The effective tax rate used in 2011 and 2010 is 20 %.

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2011 and 2010 is 20%. Losses are allowed to be carried maximum 5 years in order to deduct 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 the dates 1-25 April, following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

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2.19 Deferred Tax (cont'd)

Income Withholding Tax

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

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

2.20 Employee Benefits

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

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

2.21 Provisions

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

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

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

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2.22 Accounting of revenues

Written Premium & Commission Income

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

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

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

Interest income and expense

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

Dividend income

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

2.23 Finance Lease - the Company as lessee

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

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

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

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

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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 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (31 December 2010: 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.

2.25 Convenience translation into English

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

3. Significant Accounting Estimates and Requirements

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

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

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4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

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

4.1.2.1 Sensitivity to insurance risk

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

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

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

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

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

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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) (cont'd)

Total Claims Liability	31 December 2011 (*)			31 December 2010 (**)		
	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	29.413.275	(21.129.185)	8.284.090	26.159.445	(19.165.495)	6.993.950
Marine	10.181.490	(6.488.775)	3.692.715	7.280.474	(4.385.262)	2.895.212
Accident	3.770.624	(1.412.661)	2.357.963	5.282.774	(2.353.094)	2.929.680
Motor Own Damage	60.230.197	(6.990.312)	53.239.885	45.940.281	(7.212.639)	38.727.642
Air Crafts	1	-	1	22.112	(22.112)	-
Water Crafts	1.179.481	(1.026.113)	153.368	2.231.326	(2.083.001)	148.325
General Losses	23.754.362	(18.310.114)	5.444.248	26.973.653	(21.300.306)	5.673.347
Motor Third Party Liability	116.543.707	(13.450.068)	103.093.639	141.792.756	(22.261.466)	119.531.290
Air Crafts Liability	2.044.451	(2.044.451)	-	533.369	(533.369)	-
General liability includes all outstanding claims reserves as of the balance sheet date and incurred but not reported claims reserve calculated based on Test IBNR method.	9.407.763	(17.084.725)	8.230.138	5.916.740	(17.131.441)	3.205.001
Financial Losses	4.251.380	(1.657.822)	3.213.558	3.622.285	(3.478.422)	143.863
Legal Protection	94.301	(9.430)	84.871	32.461	(2.246)	20.215
Total claim liability includes all outstanding claims reserves as of the balance sheet date and incurred but not reported claims reserve calculated based on CLM. (847.196)	847.196	-	-	(25.244)	25.244	-
Health	19.328.940	(395.027)	18.933.913	22.536.138	(1.506.324)	21.029.814
Fidelity Guarantee	689.365	(499.619)	189.746	135.849	(95.271)	40.578
Life	3.733.469	(3.149)	3.730.320	3.779.414	(4.903)	3.774.511
Total	295.470.002	(88.728.647)	206.741.355	302.203.833	(97.092.210)	205.111.623

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

Outstanding Claims Reserve:

	31 December 2011				31 December 2010		
	Effect on	Reinsurance		Net Total	Gross Total	Reinsurance	Net Total
	Current Period	Gross Total	Share of Total				
(Net)	Claims Liability	Claims 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

	31 December 2010				31 December 2009		
	Effect on	Reinsurance		Net Total	Gross Total	Reinsurance	Net Total
	Current Period	Gross Total	Share of Total				
(Net)	Claims Liability	Claims Liability	Claims Liability	Liability	Claims Liability	Liability	
Unpaid Claims	(18.543.466)	241.980.996	(85.472.163)	156.508.833	262.385.286	(124.419.919)	137.965.367
Claim Provisions (*)	10.291.553	56.443.423	(11.615.144)	44.828.279	61.193.165	(6.073.333)	55.119.832
Renewable Amount (***)	14.032.833	-	-	-	-	-	-
Clean-cut Effect (**)	1.368.929	-	-	-	-	-	-
Non-life Total	7.149.849	298.424.419	(97.087.307)	201.337.112	323.578.451	(130.493.252)	193.085.199
Life	55.743	3.779.414	(4.903)	3.774.511	3.830.253	-	3.830.253
Grand Total	7.205.591	302.203.833	(97.092.210)	205.111.623	327.408.704	(130.493.252)	196.915.452

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

(**) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized the release of premium and claims portfolio as of 31 December 2010. According to the same agreement, admission of the portfolio is also realized in 2011. The effects of the admission of portfolio are included in carried forward reinsurance share of outstanding claims provision and carried forward reinsurance share of unearned premiums provision.

(***) Renewable Amounts consists of expected claim recovery provision deducted from outstanding claims provisions, in accordance with the circular numbered 2010/16 and dated 18 October 2010.

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**4.1.2.3 Comparison of incurred claims with past estimations (claims development process)
(cont'd)**

	31 December 2011			31 December 2010		
	Gross Total Claims Liability	Reinsurance	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance	Net Total Claims Liability
		Share of Total Claims Liability			Share of Total Claims Liability	
Beginning of Period - 1 January	241.980.996	(85.472.163)	156.508.833	262.385.286	(124.419.919)	137.965.367
Opened in the Period	653.345.266	(94.718.771)	558.626.495	600.644.147	(125.089.040)	475.555.107
Paid from Current Period (-)	(465.048.507)	76.816.797	(388.231.710)	(432.086.620)	109.314.955	(322.771.665)
Paid from Previous Period (-)	(188.421.850)	31.123.556	(157.298.294)	(175.066.814)	44.290.704	(130.776.110)
Period End						
Reported Claims	241.855.905	(72.250.581)	169.605.324	255.875.999	(95.903.301)	159.972.698

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

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

Accident period	1 January 2005-	1 January 2006-	1 January 2007-	1 January 2008-	1 January 2009-	1 January 2010-	1 January 2011-	Gross Claim
	31 December 2005	31 December 2006	31 December 2007	31 December 2008	31 December 2009	31 December 2010	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
Total Gross Claims	6.857.648.688	693.421.932	358.501.133	220.739.487	140.462.582	65.473.157	14.185.749	8.350.432.728

Gross claim development table prepared in accordance with realized claim principal as of 31 December 2010:

Accident period	1 January 2004-	1 January 2005-	1 January 2006-	1 January 2007-	1 January 2008-	1 January 2009-	1 January 2010-	Gross Claim
	31 December 2004	31 December 2005	31 December 2006	31 December 2007	31 December 2008	31 December 2009	31 December 2010	
Claim realized in the accident period	414.689.427	30.616.586	39.529.462	44.807.385	34.380.691	26.585.381	15.443.050	606.051.983
1 year later	552.942.592	64.157.443	69.077.345	62.178.692	62.810.271	24.497.729	-	835.664.072
2 years later	956.053.973	101.002.015	59.140.925	65.506.828	34.013.571	-	-	1.215.717.312
3 years later	765.770.012	108.011.472	59.613.148	32.762.230	-	-	-	966.156.862
4 years later	941.209.212	132.283.665	46.887.307	-	-	-	-	1.120.380.184
5 years later	1.115.849.060	153.581.336	-	-	-	-	-	1.269.430.395
6 years later	874.284.455	-	-	-	-	-	-	874.284.455
Total Gross Claims	5.620.798.730	589.652.517	274.248.188	205.255.135	131.204.533	51.083.110	15.443.050	6.887.685.265

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

Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized the release of premium and claims portfolio as of 31 December 2010. According to the same agreement, admission of the portfolio is also realized in 2011. The effects of the admission of portfolio are included in returned reinsurance share of outstanding claims provision and returned reinsurance share of unearned premiums provision.

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

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

The Company measures its capital adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on 19 January 2008. As at 31 December 2011, the minimum capital requirement of the Company is 285.755.747 TL (31 December 2010: TL 240.360.823) . The Company's capital as of 31 December 2011 is TL 132.761.200 (31 December 2010 142.127.671) higher than the minimum capital requirement.

4.2.2 Financial risk factors

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

Market risk

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

Foreign currency risk

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

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4.2.2 Financial risk factors (Cont'd)

Sensitivity to foreign currency risk

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

	31 December 2011		31 December 2010	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	1.297.450	677.457	1.464.840	678.157
Profit / Loss (Decrease)	(1.297.450)	(677.457)	(1.464.840)	(678.157)

Interest rate risk

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

Total	31 December 2011	31 December 2010
	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	TL
+% 5	(2.049.607)	(1.766.088)
-% 5	2.259.434	1.992.565
Financial assets held for trading		Effect on profit
Market interest rate increase / (decrease)	TL	TL
+% 5	(124.904)	(1.766.088)
-% 5	132.558	1.992.565
Financial assets available for sale		Effect on profit and profit reserves
Market interest rate increase / (decrease)	TL	TL
+% 5	(1.924.703)	-
-% 5	2.126.876	-

Price risk

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

As of 31 December 2011, when the unit prices of shares had been changed by 10% with all other variables held constant, net profit/loss would not be affected since shares are not actively traded by the Company although they are classified as available for sale assets.

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4.2.2 Financial risk factors (Cont'd)

Credit risk

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

As of 31 December 2011, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 12.1.

Liquidity risk

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

Table of liquidity risk

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	94.050.370	103.552.311	318.361.776	-	-	3.930.212	519.894.669
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	116.715.309	149.761.079	179.103.668	832.307	-	-	446.412.363
Due from Related Parties	48.689	-	52.628	-	-	-	101.317
Other Receivables	-	6.029.309	-	-	-	-	6.029.309
Prepaid Expenses and Income Accruals	12.735.209	21.682.360	51.367.957	4.932.718	16.927	-	90.735.171
Other Current Assets	190.307	-	3.384.481	-	-	-	3.574.788
Financial Assets	-	-	-	-	-	30.116.653	30.116.653
Tangible Fixed Assets	-	-	-	-	-	34.175.529	34.175.529
Intangible Fixed Assets	-	-	-	-	-	8.854.103	8.854.103
Prepaid Expenses and Income Accruals	-	-	-	-	-	-	-
Other Non-current Assets	-	-	-	-	-	2.128.644	2.128.644
Total Assets	223.739.884	290.075.097	602.735.102	17.239.811	16.927	79.335.706	1.213.142.527
Payables From Main Operations	-	-	95.298.531	-	-	-	95.298.531
Due to Related Parties	-	-	175.066	-	-	-	175.066
Other Payables	-	28.596.179	-	9.685.292	-	-	38.281.471
Insurance Technical Reserves	134.468.895	199.568.314	239.092.195	34.639.703	74.827	-	607.843.934
Taxes and Other Liabilities and Relevant Provisions	-	13.273.694	-	-	-	-	13.273.694
Deferred Income and Expense Accruals	3.009.654	17.415.162	12.139.556	1.165.727	4.000	-	33.734.099
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	258.853.349	346.705.348	48.859.434	15.787.210	405.458.637	1.213.142.527
Liquidity Surplus / (Deficit)	86.261.335	31.221.748	256.029.754	(31.619.623)	(15.770.283)	(326.122.931)	-

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4.2.2 Financial risk factors (cont'd)

Table of liquidity risk

31 December 2010	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	74.957.397	198.450.119	-	-	-	2.859.184	276.266.700
Financial Assets Available for Sale	-	-	-	-	-	130.566	130.566
Financial Assets Held for Trading	-	-	15.160.896	205.580.525	-	-	220.741.421
Investments with Risks on Policy Holders	-	-	7.229.910	-	-	-	7.229.910
Receivables From Main Operations	98.144.760	125.932.625	150.606.520	699.879	-	-	375.383.784
Due from Related Parties	-	-	47.142	-	-	-	47.142
Other Receivables	-	2.407.895	-	-	-	-	2.407.895
Prepaid Expenses and Income Accruals	9.454.153	16.096.189	38.133.689	3.661.869	12.566	-	67.358.466
Other Current Assets	102.246	-	5.921.984	-	-	-	6.024.230
Financial Assets	-	-	-	-	-	30.116.653	30.116.653
Tangible Fixed Assets	-	-	-	-	-	35.780.296	35.780.296
Intangible Fixed Assets	-	-	-	-	-	7.844.050	7.844.050
Prepaid Expenses and Income Accruals	-	-	-	5.780	-	-	5.780
Other Non-Current Assets	-	-	-	-	-	4.013.745	4.013.745
Total Assets	182.658.556	342.886.828	217.100.141	209.948.053	12.566	80.744.494	1.033.350.638
Payables From Main Operations	-	-	60.547.066	-	-	-	60.547.066
Due to Related Parties	645.118	-	175.066	-	-	-	820.184
Other Payables	-	12.374.341	-	-	-	-	12.374.341
Insurance Technical Reserves	122.454.579	175.121.590	184.698.475	29.097.697	57.145	-	511.429.486
Taxes and Other Liabilities and Relevant Provisions	-	15.624.239	-	-	-	-	15.624.239
Deferred Income and Expense Accruals	3.079.289	26.674.210	12.420.432	1.192.699	4.093	-	43.370.723
Long Term Insurance Technical Reserves	-	-	-	4.528.117	10.844.089	-	15.372.206
Provisions for Other Risks	-	-	-	-	-	2.167.753	2.167.753
Other Long Term Liabilities	-	-	-	-	-	235	235
Shareholders' Equity	-	-	-	-	-	371.644.405	371.644.405
Total Liabilities and Shareholders' Equity	126.178.986	229.794.380	257.841.039	34.818.513	10.905.327	373.812.393	1.033.350.638
Liquidity Surplus / (Deficit)	56.479.570	113.092.448	(40.740.898)	175.129.540	(10.892.761)	(293.067.899)	-

Categories of Financial Instruments

Current Financial Assets	31 December 2011		31 December 2010	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	57.579.393	57.579.393	130.566	130.566
Financial Assets Held for Trading	7.925.026	7.925.026	220.741.421	220.741.421
Financial Investments with Risks on Policy Holders	5.615.562	5.615.562	7.229.910	7.229.910
Total Current Financial Assets	71.119.981	71.119.981	258.531.897	258.531.897
Non-Current Financial Assets	30.116.653	30.116.653	30.116.653	30.116.653
Total Financial Assets	101.236.634	101.236.634	258.218.550	258.218.550

Fair value of financial instruments

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

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

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

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4.2.2 Financial risk factors (cont'd)

Fair values and classifications of financial assets

	31 December 2011	Category 1	Category 2	Category 3
Financial assets held for trading	7.925.026	7.925.026	-	-
Government bonds & treasury bills	7.925.026	7.925.026	-	-
Financial assets available for sale	57.579.393	57.579.393	-	-
Unlisted equity shares	130.565	130.565	-	-
Government bonds & treasury bills	57.448.828	57.448.828	-	-
Financial investments with risks on policy holders	5.615.562	5.615.562	-	-
Affiliates (*)	30.116.653	-	-	-
Total	101.236.634	71.119.981	-	-

Fair values and classifications of financial assets

	31 December 2010	Category 1	Category 2	Category 3
Financial assets held for trading	220.741.421	220.741.421	-	-
(* Government bonds & treasury bills	220.741.421	220.741.421	-	-
Financial assets available for sale	130.566	130.566	-	-
Unlisted equity shares	130.566	130.566	-	-
Financial investments with risks on policy holders	7.229.910	7.229.910	-	-
Affiliates (*)	30.116.653	-	-	-
Total	258.218.550	228.101.897	-	-

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

Financial liabilities:

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

5. Segment information

5.1 Operating segments

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

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

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

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5.1 Segment information(cont’d)

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	66.255.406	14.839.529	346.027.689	150.447.454	81.418.245	18.128.915	11.729.699	151.357.441	967.362	-	841.171.740
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)	15.691.565	2.416.760	20.079.160	6.941.680	15.794.342	6.143.573	781.007	3.019.047	855.658	-	71.722.792
										-	-
TECHNICAL EXPENSES	(55.421.396)	(6.024.829)	(367.803.639)	(131.152.441)	(54.866.806)	(15.943.420)	(11.172.050)	(161.060.800)	(745.761)	-	(804.191.142)
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	(30.533.531)	(3.829.431)	(93.432.720)	(37.103.358)	(44.490.852)	(7.684.316)	(3.803.666)	(39.710.192)	(71.048)	-	(260.659.114)
										-	-
	10.834.010	8.814.700	(21.775.950)	19.295.013	26.551.439	2.185.495	557.649	(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)	10.834.010	8.814.700	(21.775.950)	19.295.013	26.551.439	2.185.495	557.649	(9.703.359)	221.601	(4.951.279)	32.029.319

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5.1 Segment information(cont'd)

Segment results for the year ended 31 December 2010:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Third Party Liability	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	62.586.868	12.074.472	260.841.635	136.624.170	54.837.666	15.004.680	5.424.221	130.747.474	1.173.347	-	679.314.533
1- Earned Premiums (Net of Reinsurer Share)	44.838.155	9.289.412	240.082.486	127.810.914	36.971.740	8.746.286	4.986.051	126.482.628	195.400	-	599.403.072
1.1 - Premiums (Net of Reinsurer Share)	45.405.885	9.571.965	266.831.282	119.316.804	42.532.174	12.686.766	5.548.000	132.942.714	195.070	-	635.030.660
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(567.730)	(1.885)	(26.748.796)	8.494.110	(5.636.464)	(3.940.480)	(561.949)	(8.779.957)	330	-	(37.742.821)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	(280.668)	-	-	76.030	-	-	2.319.871	-	-	2.115.233
2- Other Technical Income (Net of Reinsurance Share)	17.748.713	2.785.060	20.759.149	8.813.256	17.865.926	6.258.394	438.170	4.264.846	977.947	-	79.911.461
TECHNICAL EXPENSES	(47.562.808)	(7.263.570)	(249.635.133)	(151.590.850)	(29.069.054)	(15.573.044)	(5.992.021)	(149.874.482)	(974.502)	-	(657.535.464)
1- Total Claims (Net of Reinsurer Share)	(15.090.734)	(3.565.731)	(183.427.146)	(115.359.070)	(1.193.372)	(8.499.892)	(3.339.468)	(115.922.513)	(2.272.953)	-	(448.670.879)
1.1- Claims Paid (Net of Reinsurer Share)	(18.109.984)	(3.726.331)	(196.887.175)	(108.291.603)	(3.835.008)	(8.703.912)	(3.342.082)	(110.651.680)	(2.328.695)	-	(455.876.470)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	3.019.250	160.600	13.460.029	(7.067.467)	2.641.636	204.020	2.614	(5.270.833)	55.742	-	7.205.591
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(2.515.609)	-	(1.202.544)	-	(6.898)	(144.209)	-	-	1.364.311	-	(2.504.949)
3- Operating Expenses	(29.956.465)	(3.697.839)	(65.005.443)	(36.231.780)	(27.868.784)	(6.928.943)	(2.652.553)	(33.951.969)	(65.860)	-	(206.359.636)
	15.024.060	4.810.902	11.206.502	(14.966.680)	25.768.612	(568.364)	(567.800)	(19.127.008)	198.845	-	21.779.069
Investment income	-	-	-	-	-	-	-	-	-	55.934.782	55.934.782
Depreciation expense	-	-	-	-	-	-	-	-	-	(4.060.835)	(4.060.835)
Provisions account	-	-	-	-	-	-	-	-	-	(18.178.878)	(18.178.878)
Tax expense	-	-	-	-	-	-	-	-	-	(7.476.726)	(7.476.726)
Financial expenses	-	-	-	-	-	-	-	-	-	(39.192.951)	(39.192.951)
Other	-	-	-	-	-	-	-	-	-	(7.328.451)	(7.328.451)
Net Profit / (Loss)	15.024.060	4.810.902	11.206.502	(14.966.680)	25.768.612	(568.364)	(567.800)	(19.127.008)	198.845	(20.303.059)	1.476.010

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6. Tangible fixed assets

31 December 2011

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Total
1 January	38.837.294	49.550	24.040.903	2.348.015	65.275.762
Additions	-	-	879.138	66.965	946.103
Disposals	-	(17.500)	(2.424.351)	-	(2.441.851)
31 December	38.837.294	32.050	22.495.690	2.414.980	63.780.014
<u>Accumulated Depreciation</u>					
1 January	(10.530.131)	(23.726)	(17.800.470)	(2.033.686)	(30.388.013)
Charge for the Period	(776.586)	(6.410)	(1.359.830)	(105.881)	(2.248.707)
Disposals	-	3.792	2.275.372	-	2.279.164
31 December	(11.306.717)	(26.344)	(16.884.928)	(2.139.567)	(30.357.556)
Net Book Value as of 31 December	27.530.577	5.706	5.610.762	275.413	33.422.458

31 December 2010

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Total
1 January	38.585.311	32.050	23.420.621	2.346.367	64.384.349
Additions	251.983	17.500	620.282	1.648	891.413
31 December	38.837.294	49.550	24.040.903	2.348.015	65.275.762
<u>Accumulated Depreciation</u>					
1 January	(9.753.549)	(14.983)	(16.396.115)	(1.821.291)	(27.985.938)
Charge for the Period	(776.582)	(8.743)	(1.404.355)	(212.395)	(2.402.075)
31 December	(10.530.131)	(23.726)	(17.800.470)	(2.033.686)	(30.388.013)
Net Book Value as of 31 December	28.307.163	25.824	6.240.433	314.329	34.887.749

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

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7. Investment Properties

31 December 2011

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
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

31 December 2010

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	5.816.175	1.717.810	7.533.985
Disposals	(5.529.597)	(962.911)	(6.492.508)
31 December	286.578	754.899	1.041.477
<u>Accumulated Depreciation</u>			
1 January	-	(426.271)	(426.271)
Charge for the Period	-	(12.367)	(12.367)
Disposals	-	289.708	289.708
31 December	-	(148.930)	(148.930)
Net Book Value as of 31 December	286.578	605.969	892.547

The fair value of investment properties was determined by an independent valuation company as of 31 December 2011 and 31 December 2010. The valuation company, which is authorized by the Capital Markets Board, has the necessary qualifications and experience in the valuation of the related real estate. Valuation work which is performed in accordance with International Valuation Standards, is based on the reference prices of similar real estate transactions in the market. However, investment properties are not accounted for with their fair values.

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8. Intangible Fixed Assets

31 December 2011

<u>Cost Value</u>	<u>Rights</u>
1 January	11.756.263
Additions	3.838.729
31 December	15.594.992
<u>Accumulated Amortization</u>	
1 January	(3.912.213)
Charge for the Period	(2.828.676)
31 December	(6.740.889)
Net Book Value as of 31 December	8.854.103

31 December 2010

<u>Cost Value</u>	<u>Rights</u>
1 January	10.196.503
Alımlar	1.559.760
31 December	11.756.263
<u>Accumulated Amortization</u>	
1 January	(2.265.820)
Charge for the Period	(1.646.393)
31 December	(3.912.213)
Net Book Value as of 31 December	7.844.050

The Company has not recognized any impairment loss for its intangible fixed assets in the current period (31 December 2010: None).

The Company has no goodwill in the financial statements.

9. Investments in Affiliates

An affiliate is an entity, over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of 31 December 2011, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (31 December 2010: TL 30.116.653) with a 25% participation rate. Company has no effect on this affiliate's management and this subsidiary is carried with its cost value, the Company's final participation rates in the entities which own a shopping mall and an office building are 12,5% each.

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

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11. Financial Assets

11.1 Subcategories of Financial Assets

	31 December 2011	31 December 2010
Financial Assets Available for Sale	57.579.393	130.566
Financial Assets Held for Trading	7.925.026	220.741.421
Financial Investments with Risks on Policy Holders	5.615.562	7.229.910
Total	71.119.981	228.101.897

Financial Assets Available for Sale

	31 December 2011			31 December 2010		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	56.538.855	57.448.827	57.448.827	-	-	-
Equity Shares (Unlisted)	130.565	-	130.566	130.566	-	130.566
Total	56.669.420	57.448.827	57.579.393	130.566	-	130.566

Financial Investments with Risks on Policy Holders

	31 December 2011			31 December 2010		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	5.206.276	5.615.562	5.615.562	6.935.943	7.229.910	7.229.910

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11.1 Subcategories of Financial Assets (cont'd)

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

31 December 2011

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

31 December 2010

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

31 December 2011

Financial Assets Held for Trading

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

31 December 2010

	Cost Value	Fair Value	Book Value
	TL	TL	TL
Government Bonds	218.053.824	220.741.421	220.741.421
Total	218.053.824	220.741.421	220.741.421

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

None (31 December 2010: None).

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

None (31 December 2010: None).

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

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

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

Unlisted	31 December 2011			31 December 2010		
	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 2010: None).

11.6 Value increases of financial assets in the last three years

Type of Financial Asset

	31 December 2011	31 December 2010	31 December 2009
Financial Assets Available for Sale	(865.162)	-	1.734.945.658

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

11.7 Financial Instruments

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

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11.8. Finansal 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 2011	31 December 2010
Receivables from Insurance Operations	443.786.697	372.922.655
Receivables from Policy Holders	4.382	9.194
Receivables from Agencies	380.366.064	321.655.019
Receivables from Insurers and Reinsurers	49.622.518	40.697.169
Subrogation Receivables (Note 2.1.1)	36.810.327	32.342.158
Provision for Subrogation Receivables (-) (Note 2.1.1)	(20.919.266)	(20.113.801)
Other Receivables	144.133	170.627
Rediscount on Receivables from Insurance Operations (-)	(2.241.461)	(1.837.711)
Provision for Receivables From Insurance Operations (-)	(2.883.354)	(3.283.354)
Doubtful Receivables From Main Operations	44.185.986	43.775.432
Provisions for Doubtful Receivables From Main Operations (-)	(38.707.920)	(38.061.903)
Cash Deposited For Insurance and Reinsurance Companies	30.954	30.954
Total	446.412.363	375.383.784

Aging of receivables from insurance operations is as follows:

	31 December 2011	31 December 2010
0-60 days	11.611.959	8.264.269
61-90 days	1.074.134	1.465.607
90+	3.258.264	5.954.501
Not due receivables	427.842.340	357.238.278
Total	443.786.697	372.922.655

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

Type of Guarantee	31 December 2011		31 December 2010	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	35.775.792	-	32.032.497	-
Real Estate Pledges	73.654.108	6.871.797	77.136.853	7.386.197
Government Bonds and Equity Shares	84.090	-	79.090	-
Other	664.518	-	743.540	-
Total	110.178.508	6.871.797	109.991.980	7.386.197

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12.1 Details of the Company's Receivables

	2011	2010
Opening Balance, 1 January	(38.061.903)	(35.146.519)
Charge for the Period	(8.651.890)	(10.137.215)
Collections	8.005.873	7.221.831
Closing Balance, 31 December	(38.707.920)	(38.061.903)

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

	31 December 2011	31 December 2010
0-30 days	24.574	102.265
31-60 days	-	20.113.802
61-90 days	-	13.023
Over 90 days	44.161.412	23.546.342
Total	44.185.986	43.775.432

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

Due to shareholders presented in the balance sheet amounting to TL 175.066 consists of dividend payables to the shareholders transferred from prior periods (31 December 2010: TL 175.066).

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 107.439.002 (31 December 2010: TL 108.389.874).

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

31 December 2011

	Amount in Foreign Currency	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>
Receivables from Insurance Operations			
USD	14.233.456	1,8889	26.885.575
EUR	4.773.493	2,4438	11.665.462
GBP	4.749	2,9170	13.853
CHF	925	2,0062	1.856
Other			976
Total			<u>38.567.722</u>
Outstanding Claims Reserve			
USD	(926.504)	1,8980	(1.758.505)
EUR	(457.397)	2,4556	(1.123.184)
Other			(5.466)
Total			<u>(2.887.155)</u>
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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12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below (cont'd)

31 December 2010

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	565.470	1,5376	869.467
EUR	867.611	2,0551	1.783.027
GBP	7.733	2,3827	18.425
CHF	185	1,6395	303
Total			<u>2.671.222</u>

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	15.261.059	1,5376	23.465.404
EUR	9.123.663	2,0551	18.750.040
GBP	2.680	2,3827	6.386
CHF	8.582	1,6395	14.070
Other			10.294
Total			<u>42.246.194</u>

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(983.799)	1,5376	(1.512.689)
EUR	(551.778)	2,0551	(1.133.959)
Total			<u>(2.646.648)</u>

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(5.315.937)	1,5376	(8.173.785)
EUR	(6.139.621)	2,0551	(12.617.535)
GBP	(36.871)	2,3827	(87.853)
Other			(3.851)
Total			<u>(20.883.024)</u>

Net Foreign Currency Position			<u>21.387.744</u>
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13. Derivative Financial Instruments

As of 31 December 2011 and 31 December 2010, the Company has no derivative financial instruments.

14. Cash and Cash Equivalents

	31 December 2011	31 December 2010
Cash at Banks	519.894.669	276.266.700
Time Deposit	515.964.457	273.407.516
Demand Deposit	3.930.212	2.859.184
Total	519.894.669	276.266.700
Interest Accrual on Cash and Cash Equivalents (-)	(3.950.486)	(2.080.470)
Cash Flow Based Grand Total	515.944.183	274.186.230
Blocked Deposits	101.833.705	9.940.715

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 2011 and 31 December 2010 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 2010: 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 Aralık 2010: None).

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

Nominal value of equity shares is TL 0,01 per share (31 December 2010: TL 0,01 per share).

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

	Number of Shares	
	31 December 2011	31 December 2010
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, 31 December	<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 Capital Markets Board is also allocated over the final remaining amount.

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

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (31 December 2009: 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 2010: None).

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

None (31 December 2010: None).

15.4 Share based payments

None (31 December 2010: None).

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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 2011</u>	<u>31 December 2010</u>
Unrealised Gains of Financial Assets		
Available for Sale	(1.081.452)	-
Deferred Tax Effect	216.290	-
Total	<u>(865.162)</u>	<u>-</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 2010: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (31 December 2010: None).

16.4 Hedging against financial risks

None (31 December 2010: 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 2011</u>	<u>31 December 2010</u>
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, 1 January	-	1.734.945.658
Increase / decrease in value recognized under the shareholders' equity in the current period	(865.162)	(1.734.945.658)
End of the Period, 31 December	<u>(865.162)</u>	<u>-</u>

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

None (31 December 2010: None).

16.7 Revaluation increases in tangible fixed assets

None (31 December 2010: None).

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

None (31 December 2010: None).

17. Insurance Liabilities and Reinsurance Assets

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

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

Branch	31 December 2011		31 December 2010	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	7.617.488	8.002.514	8.527.084	9.303.656
Government Bonds		5.618.002		7.128.645
Time Deposit		2.384.512		2.175.011
Non-Life	75.557.085	101.955.426	85.887.920	103.603.780
Government Bonds		2.506.233		95.838.076
Time Deposit		99.449.193		7.765.704
Total	83.174.573	109.957.940	94.415.004	112.907.436

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

	2011		2010	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the period, 1 January	537	4.528.117	759	5.939.459
Additions during the period	-	215.721	-	444.560
Disposals during the period	(163)	(1.375.126)	(222)	(1.855.902)
End of period, 31 December	374	3.368.712	537	4.528.117

Mathematical reserves amounting to TL 2.570.229 (31 December 2010: TL 3.149.961) and reserves for the policies with financial assets at insurees' risk amounting to TL 798.483 (31 December 2010: TL 1.378.156) and cancelled policies together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Insurees' Risk are valued with fair value as explained in note 11; as of 31 December 2011, there is no difference between the fair value and discounted value accounted in Life Mathematical Reserve (31 December 2010: None).

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

Branch	31 December 2011 Amount	31 December 2010 Amount
Motor Third Party Liability	2.060.035.998.091	1.413.940.913.099
Fire and Natural Disaster	103.775.053.369	86.252.975.464
General Losses	70.645.403.455	53.465.383.541
Marine	48.853.563.632	44.282.883.713
Accident	44.219.296.539	40.995.350.874
General Liability	37.608.696.688	8.231.505.830
Motor Own Damage	19.290.202.594	14.450.872.195
Financial Losses	9.893.068.460	5.980.302.373
Legal Protection	7.441.268.647	6.486.681.475
Air Crafts Liability	1.798.945.845	3.954.567.545
Credit	709.150.774	380.987.189
Health	697.057.249	528.079.499
Air Crafts	628.895.963	579.774.229
Water Crafts	352.782.471	477.909.890
Fidelity Guarantee	321.901.503	241.862.855
Life	9.403.712	11.554.716
Total	2.406.280.688.992	1.680.261.604.487

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

None (31 December 2010: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (31 December 2010: None).

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

None (31 December 2010: None).

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

None (31 December 2010: None).

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

None (31 December 2010: None).

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

None (31 December 2010: None).

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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 2010: 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 2010: None).

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

None (31 December 2010: None).

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

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

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

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

	1 January - 31 December 2011 Profit Share Distribution Rate (%)	1 January - 31 December 2010 Profit Share Distribution Rate (%)
TL (Life Insurance)	7.31%	7.48%

17.15 Explanation of information that describes amounts arose from insurance agreements

None (31 December 2010: None).

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

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

Reinsurance Assets

	<u>31 December 2011</u>	<u>31 December 2010</u>
Receivables from Reinsurance Companies	49.622.518	40.697.168
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	139.116.703	130.787.189
Reinsurance Share of Outstanding Claims Reserve	88.728.647	97.092.210
Reinsurance Share of Unexpired Risks Reserve	288.299	2.089.278
Total	<u>277.787.121</u>	<u>270.696.799</u>

Reinsurance Liabilities

	<u>31 December 2011</u>	<u>31 December 2010</u>
Payables from Insurance Operations	95.298.531	60.547.066
Payables to Agencies	21.938.906	23.642.900
Rediscount on Payables from Insurance Operations (-)	(275.925)	(63.419)
Payables to Insurance and Reinsurance Companies	73.635.550	36.967.585
Toplam	<u>95.298.531</u>	<u>60.547.066</u>

Income / Expense on Reinsurance Agreements

	<u>31 December 2011</u>	<u>31 December 2010</u>
Premiums Ceded to Reinsurers (-)	(274.318.266)	(251.255.581)
Commissions Received	39.060.761	41.666.750
Reinsurance Share of Unearned Premiums Reserve	14.622.690	(7.086.199)
Reinsurance Share of Unexpired Risks Reserve	(1.800.979)	(9.664.578)
Reinsurance Share of Outstanding Claims Reserve	(983.394)	(36.587.956)
Reinsurance Share of Claims Paid	107.940.353	153.605.659
Toplam	<u>(115.485.492)</u>	<u>(109.321.905)</u>

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

Branch	31 December 2011			31 December 2010		
	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	(101.176.720)	5.228.662	23.494.419	(95.839.895)	(34.355.274)	35.369.145
General Losses	(53.655.381)	(1.300.802)	19.143.438	(33.935.909)	(3.619.934)	21.002.554
Motor Own Damage	(41.423.617)	6.230.447	34.779.044	(41.420.469)	(377.598)	38.480.856
Motor Third Party Liability	(31.192.587)	3.375.953	13.848.508	(22.194.984)	6.110.678	20.182.954
Financial Losses	(13.266.897)	(4.834.818)	5.319.914	(22.194.774)	7.216.373	2.057.201
General Liability	(12.246.373)	4.560.019	3.615.193	(8.626.571)	(4.581.079)	3.133.134
Marine	(9.587.653)	2.824.680	1.936.382	(6.939.938)	(4.487.188)	6.996.199
Air Crafts Liability	(3.711.430)	1.577.904	809	(4.300.421)	(861.245)	175.587
Accident	(2.720.851)	(917.098)	814.349	(3.045.745)	788.835	782.677
Fidelity Guarantee	(2.188.351)	415.343	48.992	(1.635.677)	11.991	148.906
Credit	(1.460.872)	917.262	21.440	(897.838)	(613.196)	(296.313)
Water Crafts	(1.153.630)	(3.763.529)	3.689.965	(2.099.975)	1.727.301	9.286.162
Air Crafts	(1.059.806)	(1.224.120)	18.820	(2.763.054)	(9.779.992)	733.974
Legal Protection	(520.743)	(21.532)	14.567	(502.354)	2.238.187	7.493
Health	1.082.000	(1.231.781)	1.194.513	(4.791.697)	(12.757.758)	15.545.130
Life	(35.355)	1.727	-	(66.280)	1.166	-
Total	(274.318.266)	11.838.317	107.940.353	(251.255.581)	(53.338.733)	153.605.659

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

17.17 Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in Note 4.1.2.4.

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

	2011	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	60.547.066	270.696.800
Movement in the Current Period	34.751.465	7.090.321
End of the Period, 31 December	95.298.531	277.787.121

	2010	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	69.629.307	327.235.269
Movement in the Current Period	(9.082.241)	(56.538.469)
End of the Period, 31 December	60.547.066	270.696.800

18. Investment Contract Liabilities

Disclosed in Note 17.2.

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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19. Trade and Other Payables, Deferred Income

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

	31 December 2011	31 December 2010
Payables to agencies	21.938.906	23.642.900
Rediscount on Payables from Insurance Operations	(275.925)	(63.419)
Payables to Insurance and Reinsurance Companies	73.635.550	36.967.585
Payables from Insurance Operations	95.298.531	60.547.066
Payables to Contracted Institutions	13.034.775	4.296.521
Payables to Turkish Catastrophe Insurance Pool	4.383.609	1.845.247
Payables to Suppliers	3.383.916	1.103.062
Turkish Catastrophe Insurance Pool Payables to Agencies	494.568	463.499
Payables to Tarım Sigortaları A.Ş.	-	3.380.913
Payables to SSI regarding medical expenses (*)	7.058.985	-
Other	240.326	1.285.334
Other Payables	28.596.179	12.374.576
Deferred Commission Income	21.439.084	21.921.777
Expense Accruals	12.295.015	21.448.946
Deferred Income and Expense Accruals	33.734.099	43.370.723
Total Short Term Liabilities	157.628.809	116.292.365
Payables to SSI regarding medical expenses (**)	9.685.292	-
Total Long Term Liabilities	9.685.292	-
Total Trade and Other Payables, Deferred Income	167.314.101	116.292.365

**(*) Payables to SSI regarding medical expenses-
Short term :**

	31 December 2011	31 December 2010
Eliminated incurred but not reported claims provision	272.061	-
Notified liability amount for 2011 short term	1.261.021	-
Premium amount transferred to SSI between 27 August 2011 - 31 December 2011	4.494.840	-
Difference between the notified liability amount and the liability amount calculated	2.001.016	-
Premium payments to SSI in current period	(969.953)	-
Total	7.058.985	-

() Payables to SSI regarding to the treatment expenses-
Long term :**

	31 December 2011	31 December 2010
Eliminated incurred but not reported claims provision	544.122	-
Cancelled outstanding claim files	2.522.041	-
Notified premiums between 25 February 2011 - 26 August 2011	6.619.129	-
Total	9.685.292	-

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19.1 Sub-classifications of presented items in line with the Company’s operations(Cont’ d)

- (*) As it is stated in Note 2.15, the Company is required to transfer the premiums, as defined in the Communique numbered 2011/17 and regarding to the policies in related branches written after 25 February 2011, to SSI regarding the treatment expenses related with the traffic accidents that incurred after the regulations is in effect. In line with the statements mentioned above, the Company calculated TL 11.113.969 (31 December 2010: None) ceded premium and TL 6.303.656 (31 December 2010: None) unearned premium reserve reinsurance share on a daily basis and classified respectively under the accounts of “Premiums transferred to SSI and “Unearned Premium Reserve SSI Share”. In accordance with the Communique numbered 2011/17 and 2011/18, TL 4.494.840 amount of the premiums transferred to SSI is accounted under “Other Payables - Short term” and TL 969.953 of the amounts were paid as of 31 December 2011 and are deducted from this account. TL 6.619.129 amount of the premiums transferred to SSI is accounted under “Other Payables - Long Term”.
- (**) As explained in Note 2.15, in line with the Communique numbered 2011/18, the Company has closed the outstanding claim files including the treatment expenses related to the claims incurred prior to the effective date of law and “incurred but not reported claim reserve to be eliminated”, accounted for under “Paid Claims”. The Company, in line with the Communique numbered 2011/18, has calculated the incurred but not reported claim reserve as of 31 March 2011, by both including and excluding the information related to treatment expenses and stated the calculation difference as “incurred but not reported claim reserve amount to be eliminated”. In this respect, the Company, has transferred total amount of TL 4.599.245 claim reserve, TL 3.783.062 of which is outstanding claim reserve related to the claims incurred before the law and TL 816.183 of which is “incurred but not reported claim reserve amount to be eliminated” to “Paid Claims” and TL 1.533.082 of the amount classified as “Other Payables-Short term” and TL 3.066.163 of the amount classified as “Other Payables-Long term”. In line with the Communique numbered 2011/17, in the case that there is a difference between the liabilities notified by the Treasury and the amount calculated by the Company in accordance with the prementioned methodology, the related differences are accounted for under “Other Payables” in the balance sheet and other technical income or expense in the income statement. Accordingly, the Company has accounted for an additional liability of TL 2.001.016 and recorded as other technical expense in the income statement.

The reserve regarding the claims including the treatment expenses related to the claims incurred prior to the effective date of law that the Company calculated for the upcoming years in line with the above mentioned methodology, is going to be revised at 2012 and 2013 and the difference between the calculated reserve and the liabilities notified by the Treasury are going to be accounted for under the income statements of the related years.

19.2 Related Parties

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

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20. Payables

<u>Insurance Technical Reserves</u>	<u>31 December 2011</u>	<u>31 December 2010</u>
Unearned Premiums Reserve- Net (*)	400.786.528	306.037.195
Unexpired Risks Reserve- Net	316.051	280.668
Outstanding Claims Reserve-Net (**)	206.741.355	205.111.623
Life Mathematical Reserve-Net	2.570.229	3.149.961
Provision for Policies Investment Risk of Life		
Insurance Policyholders	798.483	1.378.156
Equalization Reserve-Net	15.708.383	10.844.089
Total	626.921.029	526.801.692

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 4.127.325, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been net off.

As explained in note 2.15, unearned premium reserve reinsurance share includes TL 6.303.656 SSI share of unearned premium reserve calculated on a daily basis over the premium ceded to SSI amounting to TL 11.113.969 as of 31 December 2011.

(**) The Company has clean-cut agreements in the motor-accident branch, and based on these agreements it has performed the 2010 premium and claim portfolio withdrawals as of December 31, 2010. According to the same agreement, portfolio entries were made in 2011. TL 7.373.513, the effect of 2010 portfolio entries was netted off from the provisions for outstanding claims account in the current period (Note 4.1.2.4).

21. Deferred Income Tax

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

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

22. Retirement and Welfare Liabilities

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

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

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22. Retirement and Welfare Liabilities (Cont'd)

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 2.731,85 for each period of service as of 31 December 2011 (31 December 2010: TL 2.517,01).

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 2011 and 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 4,8 % and a discount rate of 11%, resulting in a real discount rate of approximately 4,66%. The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

As the maximum liability is updated semi annually, the maximum amount of TL 2.805,04 effective from 1 January 2012 has been taken into consideration in calculation of provision from employment termination benefits (As of 1 January 2011, the ceiling on retirement pay is TL 2.623,23).

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22. Retirement and Welfare Liabilities

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

	2011	2010
Beginning of the Period, 1 January	2.167.753	1.971.587
Charge for the Period	1.074.025	1.111.849
Retirement Payments	(591.703)	(915.683)
End of the Period, 31 December	2.650.075	2.167.753

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2011		2010	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, 1 January	2.150.394	749.883	1.854.519	721.420
Changes in the Current Period	(173.906)	106.932	295.875	28.463
End of the Period, 31 December	1.976.488	856.815	2.150.394	749.883

23.2 Off-balance sheet commitments

Company's statement of pledges and commitments as of 31 December 2011 and 2010 are presented below;

	31 December 2011		31 December 2010	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favour 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		243.621		1.400.880
	TL	232.415	1.342.302	1.342.302
	USD	5.933	38.097	58.578
D. Total amount of other CPMs given		3.337.540		872.608
i. Total amount of CPMs given in favour of the parent company	-	-	-	-
ii. Total amount of CPMs given in favour of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favour of third parties not included in clause C		3.337.540	-	872.608
	TL	3.337.540	863.521	863.521
	USD	3.337.540	5.910	9.087
Total		3.581.161		2.273.488

Other pledges and commitments provided by the Company has no share on the equity (31 December 2010: None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	31 December 2011	31 December 2010
Outstanding Claims under Litigation (*)	86.521.267	88.050.383
Total	86.521.267	88.050.383
	31 December 2011	31 December 2010
Subrogation Receivable Litigations	29.854.943	30.022.897
Trade Receivable Litigations and Executions	12.142.213	11.931.992
Total	41.997.156	41.954.889

(*) As explained in Note 2.1.1, the Company has deducted outstanding claim reserve under litigation by TL 8.805.614 as of 31 December 2011 (31 December 2010: None).

24. Net Insurance Premium Revenue

Non-life Branches	1 January- 31 December 2011	1 January- 31 December 2010
Motor Own Damage	367.011.881	266.831.280
Motor Third Party Liability (*)	165.674.672	119.316.804
Health	156.178.193	132.942.714
Fire and Natural Disaster	57.679.974	45.009.191
General Losses	47.543.450	30.362.623
Financial Losses	20.649.337	3.303.356
Accident	20.624.000	17.083.359
Marine	12.112.763	9.284.109
General Liability	9.616.477	5.780.716
Legal Protection	4.688.594	4.522.072
Water Crafts	377.039	287.856
Fidelity Guarantee	135.235	102.780
Credit	15.323	8.706
Air Crafts Liability	32	24
Air Crafts	1	-
Total Non-life Branches	862.306.971	634.835.590
Life	111.378	195.070
Total	862.418.349	635.030.660

(*) In accordance with the Communique numbered 2011/17, ceded premium of motor third party liability branch, includes premiums ceded to SSI amounting to TL 11.113.969 (31 December 2010: None) (Note 2.15).

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

25. Fee Income

None (31 December 2010:None).

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26. Investment Income/(Expense)

	1 January- 31 December 2011	1 January- 31 December 2010
Financial Assets Held for Trading		
Interest Income	167	171
Repo Income	3.137	188.970
Total	3.304	189.141

	1 January- 31 December 2011	1 January- 31 December 2010
Financial Assets Available for Sale		
Interest Income	42.982.402	46.377.034
Dividend Income (*)	-	20.185
Total	42.982.402	46.397.219

	1 January- 31 December 2011	1 January- 31 December 2010
(*) Dividend Income		
Ak Yatırım	-	2.802
Tursa	-	17.383
Total	-	20.185

(*) Income which is classified under the income from affiliates, consist of the dividends received from the investments classified under the Company's available for sale financial assets portfolio.

	1 January- 31 December 2011	1 January- 31 December 2010
Investment Properties		
Rent Income	264.808	231.806
Total	264.808	231.806

Grand Total	43.250.514	46.818.351
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27. Net Accrual Income on Financial Assets

	1 January- 31 December 2011	1 January- 31 December 2010
Financial Assets Available for Sale		
Valuation Differences Recognized under		
Shareholders' Equity	(865.162)	-
Total	(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 5.692.738 (31 December 2010: TL 2.339.656).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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29. Insurance Rights and Demands

	1 January- 31 December 2011	1 January- 31 December 2010
Outstanding Claims Reserve		
Motor Third Party Liability	19.535.768	(7.067.467)
Health	2.095.901	(5.270.833)
Accident	571.717	(409.117)
General Losses	230.920	340.556
Marine	(797.504)	(302.917)
Air Crafts Liability	-	12.223
Water Crafts	(5.044)	463.517
Legal Protection	(64.655)	3.364.949
Fidelity Guarantee	(149.168)	7.791
General Liability	(1.121.663)	(285.688)
Fire and Natural Disaster	(1.290.140)	2.951.125
Financial Losses	(3.069.695)	(114.319)
Motor Own Damage	(10.236.848)	13.460.029
Total Non-life	5.699.589	7.149.849
Life	44.191	55.742
Total (*)	5.743.780	7.205.591

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

30. Investment Agreement Rights

None (31 December 2010: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

32. Expense Types

	1 January- 31 December 2011	1 January- 31 December 2010
Distribution Channel Commissions (-)	(170.302.482)	(136.138.915)
Employee Wages and Expenses (-)	(37.203.350)	(34.450.856)
Information Technology Expenses (-)	(5.699.839)	(4.543.775)
Depreciation Expenses (-)	(5.093.561)	(4.060.835)
Outsourcing Service Expenses (-)	(3.451.254)	(1.678.544)
Repair and Maintenance Expenses (-)	(3.354.363)	(2.919.439)
Meeting and Training Expenses (-)	(2.971.725)	(2.543.561)
Transportation Expenses (-)	(2.811.783)	(2.697.086)
Advertisement Expenses (-)	(2.799.969)	(3.979.788)
Social Relief Expenses (-)	(2.021.022)	(1.820.329)
Rent Expenses (-)	(978.298)	(887.994)
Communication Expenses (-)	(930.981)	(1.034.635)
Other (-)	(5.784.355)	(3.452.860)
Total	(243.402.982)	(200.208.617)

The table above does not include other expenses amounting to TL 22.349.693 (31 December 2010: TL 10.211.854) in operating expenses and; includes depreciation expenses amounting to TL 5.093.561 (31 December 2010: TL 4.060.835).

33. Employee Benefit Expenses

	1 January- 31 December 2011	1 January- 31 December 2010
Salary and Bonus Payments	(35.855.483)	(33.514.877)
Insurance Payments	(463.832)	(427.108)
Other Payments	(884.035)	(508.871)
Total (Note 32)	(37.203.350)	(34.450.856)

34. Financing Costs

34.1 Financial Expenses

None (31 December 2010: None).

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

None (31 December 2010: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

None (31 December 2010: None).

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

In the current period TL 72.084 (31 December 2010: TL 50.805) of rent income was generated from Hacı Ömer Sabancı Holding, shareholder of the Company.

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

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 2010: None).

35. Income Tax

	<u>31 December 2011</u>	<u>31 December 2010</u>
<u>Current Tax Liability</u>		
Corporate Tax Liability Provision on Period Profit	5.655.167	7.476.726,00
Prepaid Taxes and Other Liabilities on Period Profit (-)	(2.660.185)	-
	<u>2.994.982</u>	<u>7.476.726</u>

	<u>1 January- 31 December 2011</u>	<u>1 January- 31 December 2010</u>
<u>Tax (Expense) / Income is Formed by the Items Below:</u>		
Current Tax Income / (Expense)	(5.655.167)	(7.476.726)
Deferred Tax Income / (Expense) due to Temporary Differences	(2.101.392)	5.439.936
Total Tax Income / (Expense)	<u>(7.756.559)</u>	<u>(2.036.790)</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>1 January- 31 December 2011</u>	<u>1 January- 31 December 2010</u>
<u>Deferred Tax</u>		
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	216.290	-
Total	<u>216.290</u>	<u>-</u>

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35. Income Tax (Cont'd)

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

Deferred Tax Assets / (Liabilities)	31 December 2011	31 December 2010
Valuation Differences of Financial Assets	216.290	-
Useful Life Differences of Tangible and Intangible Assets	(805.146)	(2.086.626)
Retirement Pay Provision	530.015	433.551
Unused Vacation Provision	395.298	430.079
Payable / Receivable Rediscunts	448.292	367.542
Technical Reserves	319.653	4.048.248
Doubtful Receivable Provisions	576.671	656.671
Other	447.571	164.280
Deferred Tax Assets / (Liabilities), Net	2.128.644	4.013.745

Movements of Deferred Tax Assets / (Liabilities):	2011	2010
Beginning of the Period, 1 January	4.013.745	(1.502.741)
Deferred Tax Income Recognized in the Income Statement	(2.101.392)	5.439.936
Deferred Tax Income Recognized in the Shareholders' Equity	216.291	76.550
Closing Balance, 31 December	2.128.644	4.013.745

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

Movements of Deferred Tax Assets / (Liabilities):	1 January - 31 December 2011	1 January - 31 December 2010
Beginning of the Period, 1 January	4.013.745	(1.502.741)
Deferred Tax Income Recognized in the Income Statement	(2.101.392)	5.439.936
Deferred Tax Income Recognized in the Shareholders' Equity	216.291	76.550
Closing Balance, 31 December	2.128.644	4.013.745

36. Net Foreign Exchange Gain/Loss

Recognized in Profit / Loss:	1 January - 31 December 2011	1 January - 31 December 2010
Foreign Exchange Income	14.312.764	9.069.589
Foreign Exchange Expense	(12.264.931)	(7.811.937)
	2.047.833	1.257.652

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37. Earning per Share

	2011	2010
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
Beginning Period, 1 January	30.600.000.000	30.600.000.000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding	30.600.000.000	30.600.000.000
End of Period, 31 December	30.600.000.000	30.600.000.000
Weighted Average Number of Outstanding Shares (one unit: TL 0,01)	30.600.000.000	30.600.000.000
Net Profit for the Period / (Loss) (TL)	32.029.319	1.476.010
Earnings / (Loss) per Share (TL)	0,105	0,005

38. Dividends per share

In the Ordinary General Meeting of the Company dated on 14 April 2011, it has been decided to transfer net profit stated on financial statements of year 2010 to capital reserves and not to distribute dividends.

39. Cash Generated from the Operations

Net cash amount that generated from main operations, net cash generated from/used for investments, and net cash used for financing operations are TL 75.182.270, TL 166.575.683 and TL 0 respectively (31 December 2010: TL 16.865.383 TL (4.200.059) and TL (30.600.000)).

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 2010: None).

AKSİGORTA A.Ş.

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(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 related parties

Due from / to Related Parties Company	31 December 2011	31 December 2010
Sabancı Üniversitesi	4.211.051	572.967
Enerjisa Enerji Üretim A.Ş.	3.338.065	7.071.466
Ak Finansal Kiralama A.Ş.	2.800.100	2.615.963
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	591.028	378.386
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic.	453.260	39.272
Akçansa Çimento San. ve Tic. A.Ş.	280.934	477.870
Başkent Elektrik Dağıtım A.Ş.	185.885	7.945
Temsa Global San. ve Tic. A.Ş.	94.715	109.960
Yünsa Yünlü San. ve Tic. A.Ş.	78.254	34.776
Çimsa Çimento San. ve Tic. A.Ş.	60.750	62.648
Akbank Türk A.Ş.	55.941	41.819
Hacı Ömer Sabancı Holding A.Ş.	47.772	59.608
Teknosa İç ve Dış Ticaret A.Ş.	36.439	51.928
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	35.132	8.543
Olmuxsa International Paper Sabancı Ambalaj San. ve Tic.	19.173	36.033
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	14.893	151.703
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	14.061	24.788
Avivasa Emeklilik ve Hayat A.Ş.	11.188	(8.127)
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	6.178	410.623
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	390	770
Ak Yatırım Menkul Değerler A.Ş.	-	(117)
Ak Portföy Yönetimi A.Ş.	-	5.659
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.	-	2.886
Hacı Ömer Sabancı Vakfı	-	-
AEO (Hilton International)	-	236
Ak Yatırım Ortaklığı A.Ş.	(26)	435
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	(282)	15.059
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	(747)	4.310
TOTAL	12.334.154	12.177.409

(*) TL 52.628 (31 December 2010: TL 47.142) of due from related parties is presented under the "Due from Related Parties" in the financial statements and the remaining amount is presented under the "Receivables from Insurance Operations" account.

AKSİGORTA A.Ş.

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45. Related Parties (cont' d)

Written Premium

<u>Insuree</u>	<u>1 January- 31 December 2011</u>	<u>1 January- 31 December 2010</u>
Enerjisa Enerji Üretim A.Ş.	21.712.677	14.422.273
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	8.468.485	7.614.138
Ak Finansal Kiralama A.Ş.	7.193.578	8.374.631
Akbank Türk A.Ş.	4.827.118	4.749.721
Sabancı Üniversitesi	4.606.334	4.747.926
Temsa Global San. ve Tic. A.Ş	4.082.970	3.505.960
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic.	3.773.432	3.031.994
Akçansa Çimento San. ve Tic. A.Ş	3.483.576	2.810.039
Çimsa Çimento San. ve Tic. A.Ş	3.210.359	2.998.799
Başkent Elektrik Dağıtım A.Ş	2.921.432	1.846.937
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş	2.791.560	3.406.732
Pmsa Philip Morris Sabancı Paz. ve Satış A.Ş.	2.679.828	847.563
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	2.283.115	400.699
Olmuxsa International Paper Sabancı Ambalaj San. ve Tic.	2.209.539	1.944.651
Avivasa Emeklilik ve Hayat A.Ş	2.136.721	1.441.186
Hacı Ömer Sabancı Holding A.Ş	2.033.313	731.879
Yünsa Yünlü San. ve Tic. A.Ş	1.107.466	778.919
Teknosa İç ve Dış Ticaret A.Ş	1.028.154	2.172.984
Diasa Dia Sabancı Süpermarketler Ticaret A.Ş.	367.270	586.086
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş	279.717	180.788
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	255.572	275.848
Ak Yatırım Menkul Değerler A.Ş	249.254	169.633
Ak Portföy Yönetimi A.Ş	147.251	61.988
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A	107.957	91.911
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	70.289	122.851
Hacı Ömer Sabancı Vakfi	56.388	47.625
Ak Yatırım Ortaklığı A.Ş.	19.808	6.759
AEO (Hilton International)	1.890	11.838
TOTAL	82.105.052	67.382.358

Interest Income Received from Related Parties

<u>Company</u>	<u>1 January- 31 December 2011</u>	<u>1 January- 31 December 2010</u>
Akbank T.A.Ş	33.707.715	27.951.820
Total	33.707.715	27.951.820

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

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

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46. Subsequent Events

Employee termination benefits' limit is being revised every six months, the limit that being used by the Company in order to calculate provision for employee termination benefits is 2.805,04 TL which is valid from 1 January 2012 (Employee termination benefits' limit that valid from 01 January 2011 is TL 2.623,23).

Share of the parent company Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. are 35,2% for both companies as of 14 March 2012.

47. Other

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

Other Receivables	31 December 2011	31 December 2010
Temporary Accounts Used for Claim Payments	1.291.764	822.605
Other Receivables	1.480.952	1.527.633
Receivables from Tarım Sigortaları A.Ş.	3.165.740	-
Total	5.938.456	2.350.238

Other Payables	31 December 2011	31 December 2010
Payables to Contracted Enterprises	13.034.775	4.296.521
Payables to Turkish Catastrophe Insurance Pool	4.383.609	1.845.247
Payables to Suppliers	3.383.916	1.103.062
Turkish Catastrophe Insurance Pool Payables to Agencies	494.568	463.499
Payables to Tarım Sigortaları A.Ş.	-	3.380.913
Payables to Social Security Institution	7.058.985	-
Other	240.326	1.285.334
Total	28.596.179	12.374.576

Other Long Term Payables	31 December 2011	31 December 2010
Payables to Social Security Institution	9.685.292	-
Total	9.685.292	-

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47. Diğer (Devamı)

Long Term Liabilities- Other Technical Provisions	31 December 2011	31 December 2010
Equalization Reserve	15.708.383	10.844.089
Total	15.708.383	10.844.089

Prepaid Expenses and Income Accruals	31 December 2011	31 December 2010
Deferred Commission Expenses	90.527.147	67.192.405
Prepaid Expenses	208.024	171.841
Total	90.735.171	67.364.246

Deferred Income and Expense Accruals	31 December 2011	31 December 2010
Deferred Commission Income	21.439.084	21.921.777
Expense Accruals	12.295.015	21.448.946
Total	33.734.099	43.370.723

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	1 January- 31 December 2011	1 January- 31 December 2010
Provisions Account (+/-)	(4.897.220)	(18.178.878)
2009 Period Expected Subrogation and Salvage Income	-	(14.032.833)
Provisions for Doubtful Receivable	(466.503)	(1.423.697)
Retirement Pay Provision	(1.074.025)	(1.006.707)
Provisions for Other Expenses	(3.356.692)	(1.715.641)
Discount Account (+/-)	(191.244)	156.900
Compulsory Earthquake Insurance Account (+/-)	295.331	337.751
Deferred Tax Asset Account (+/-)	-	5.439.936
Deferred Tax Liability Expense (-)	(2.101.392)	-
Other Income and Profit	2.304.626	5.464.047
Other Expenses and Losses (-)	(5.575.283)	(18.727.085)
Total	(10.165.182)	(25.507.329)

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	Note	Audited Current Period (01/01/2011 - 31/12/2011) (*)	Audited Previous Period (01/01/2010 - 31/12/2010) (*)
I. DISTRIBUTION OF PERIOD PROFIT			
1.1 PERIOD PROFIT		-	-
1.2 TAXES AND DUTIES PAYABLE (-)		-	-
1.2.2 Corporate tax (Income tax)		-	-
1.2.2. Income withholding tax		-	-
1.2.3 Other taxes and duties		-	-
A. NET PERIOD PROFIT (1.1-1.2)		-	-
1.3 PRIOR PERIODS' LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVES		-	-
1.5 COMPULSORY LEGAL FUNDS TO BE RETAINED AND INVESTED IN THE		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]		-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1 To Holders of Ordinary Shares		-	-
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 (-) (**)		-	-
1.10.1 To Holders of Ordinary Shares		-	-
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 (-) (**)		-	-
1.12. 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		-	-
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		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PREFERRED SHARES		-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)		-	-

(*) The statements of profit distribution have not been prepared yet for the period 1 January - 31 December 2011 (31 December 2010: None).