

**AKSIGORTA ANONİM ŐİRKETİ**

**CONVENIENCE TRANSLATION OF STATUTORY  
FINANCIAL STATEMENTS AT 31 DECEMBER 2010  
TOGETHER WITH NOTES TO FINANCIAL STATEMENTS  
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 2010  
(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 2010 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 2010, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards as set out in the insurance legislation (Note 2).

*Emphasis of Matter*

5. The financial statements of the Company, as of 31 December 2009 were audited by another independent auditor whose report dated 24 February 2010 expressed an unqualified opinion thereon.

*Additional Paragraph for Convenience Translation into English*

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

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

A handwritten signature in blue ink, appearing to be "Cansen Başaran Symes", written over a light blue circular stamp or watermark.

Cansen Başaran Symes, SMMM  
Partner

Istanbul, 11 March 2011

## CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2010

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2010 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 11 March 2011



**Ugur GÜLEN**  
Chief Executive Officer



**Erkan ŞAHİNLER**  
Chief Financial Officer



**Muzaffer ÖZTÜRK**  
Accounting Manager



**Cezmi KURTULUŞ**  
Statutory Auditor



**Şerafettin KARAKIŞ**  
Statutory Auditor

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEET AT 31 DECEMBER 2010 AND 2009**

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
			TL
ASSETS			
I- CURRENT ASSETS	Note	Audited Current Period (31/12/2010)	Audited Previous Period (31/12/2009)
<b>A- Cash and Cash Equivalents</b>		<b>276.266.700</b>	<b>292.634.765</b>
1- Cash		-	646
2- Cheques Received		-	-
3- Banks	14	276.266.700	292.634.119
4- Cheques Given and Payment Orders (-)		-	-
5- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>		<b>228.101.897</b>	<b>210.524.287</b>
1- Financial Assets Available for Sale	11.1	130.566	164.684.234
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11.1	220.741.421	53.041.321
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	7.229.910	7.980.800
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11.1	-	(15.182.068)
<b>C- Receivables From Main Operations</b>		<b>375.383.784</b>	<b>358.187.693</b>
1- Receivables From Insurance Operations	12.1	372.922.655	357.067.590
2- Provision for Receivables From Insurance Operations (-)	12.1	(3.283.354)	(4.775.043)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30.954	31.494
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	43.775.432	41.010.171
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(38.061.903)	(35.146.519)
<b>D- Due from Related Parties</b>		<b>47.142</b>	<b>44.016</b>
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	45	47.142	44.016
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>E- Other Receivables</b>		<b>2.407.895</b>	<b>3.510.733</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		57.657	57.657
4- Other Receivables	47	2.350.238	3.453.076
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>		<b>67.358.466</b>	<b>58.218.390</b>
1- Prepaid Expenses		67.358.466	58.218.390
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
<b>G- Other Current Assets</b>		<b>6.024.230</b>	<b>2.275.345.353</b>
1- Inventories		88.045	95.825
2- Prepaid Taxes and Funds		5.921.984	6.642.769
3- Deferred Tax Assets		-	-
4- Business Advances		14.201	12.689
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets	47	-	2.268.594.070
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>955.590.114</b>	<b>3.198.465.237</b>

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

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEET AT 31 DECEMBER 2010 AND 2009**

(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 (31/12/2010)	Audited Previous Period (31/12/2009)
<b>A- Receivables From Main Operations</b>		-	-
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>B- Due from Related Parties</b>		-	-
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 (-)		-	-
<b>C- Other Receivables</b>		-	-
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 (-)		-	-
<b>D- Financial Assets</b>		<b>30.116.653</b>	<b>30.116.653</b>
1- Investments In Associates		-	-
2- Affiliates	<b>9, 11.4</b>	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- Impairment in Value of Financial Assets (-)		-	-
<b>E- Tangible Fixed Assets</b>		<b>35.780.296</b>	<b>43.509.939</b>
1- Investment Properties	<b>7</b>	1.041.477	7.533.985
2- Impairment in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	<b>6</b>	38.837.294	38.585.311
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	<b>6</b>	23.689.508	23.069.226
6- Vehicles	<b>6</b>	49.550	32.050
7- Other Tangible Assets (Including Leasehold Improvements)	<b>6</b>	2.348.015	2.346.367
8- Leased Tangible Fixed Assets	<b>6</b>	351.395	351.395
9- Accumulated Depreciation (-)	<b>6, 7</b>	(30.536.943)	(28.408.395)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
<b>F- Intangible Fixed Assets</b>		<b>7.844.050</b>	<b>7.930.683</b>
1- Rights	<b>8</b>	11.756.263	10.196.503
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	<b>8</b>	(3.912.213)	(2.265.820)
7- Advances Regarding Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>		<b>5.780</b>	<b>45.709</b>
1- Prepaid Expenses		5.780	45.709
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
<b>H- Other Non-current Assets</b>		<b>4.013.745</b>	<b>-</b>
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	<b>35</b>	4.013.745	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
<b>II- Total Non-current Assets</b>		<b>77.760.524</b>	<b>81.602.984</b>
<b>TOTAL ASSETS (I+II)</b>		<b>1.033.350.638</b>	<b>3.280.068.221</b>

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

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEET AT 31 DECEMBER 2010 AND 2009**

(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 (31/12/2010)	Audited Previous Period (31/12/2009)
<b>A- Borrowings</b>		-	-
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>B- Payables From Main Operations</b>		<b>60.547.066</b>	<b>69.636.459</b>
1- Payables Due to Insurance Operations	19.1	60.547.066	69.629.307
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies	19.1	-	7.152
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
<b>C- Due to Related Parties</b>	<b>19.1</b>	<b>820.184</b>	<b>641.000</b>
1- Due to Shareholders	12.2	175.066	175.223
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		645.118	465.777
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>47</b>	<b>12.374.341</b>	<b>14.810.198</b>
1- Deposits and Guarantees Received		-	-
2- Other Payables	47	12.374.341	14.810.198
3- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>511.429.486</b>	<b>474.925.461</b>
1- Unearned Premiums Reserve - Net	20	306.037.195	275.614.108
2- Unexpired Risk Reserves - Net	20	280.668	2.395.901
3- Life Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	205.111.623	196.915.452
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Life Insurance Policyholders - Net		-	-
7- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>15.624.239</b>	<b>4.583.905</b>
1- Taxes and Dues Payable		7.340.067	6.953.578
2- Social Security Premiums Payable	23.1	749.883	721.420
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		57.563	47.557
5- Corporate Tax Liability Provision on Period Profit	35	7.476.726	-
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	-	(3.138.650)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>43.370.723</b>	<b>30.046.119</b>
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals	19.1	43.370.723	30.046.119
<b>I- Other Short Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
<b>III - Total Short Term Liabilities</b>		<b>644.166.039</b>	<b>594.643.142</b>

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

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEET AT 31 DECEMBER 2010 AND 2009**

(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 (31/12/2010)	Audited Previous Period (31/12/2009)
<b>A- Borrowings</b>		-	-
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>B- Payables From Main Operations</b>		-	-
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 (-)		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Other Payables		-	-
3- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		15.372.206	12.927.711
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17,2, 20	3.149.961	3.689.389
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	1.378.156	2.263.497
7- Other Technical Reserves - Net	20, 47	10.844.089	6.974.825
<b>F- Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		2.167.753	1.971.587
1- Provision for Employment Termination Benefits	22	2.167.753	1.971.587
2- Provisions for Employee Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long Term Liabilities</b>		235	1.502.976
1- Deferred Tax Liability	35	-	1.502.741
2- Other Long Term Liabilities		235	235
<b>IV- Total Long Term Liabilities</b>		17.540.194	16.402.274

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



**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEET AT 31 DECEMBER 2010 AND 2009**

(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 (31/12/2010)	Audited Previous Period (31/12/2009)
<b>A- Paid in Capital</b>		<b>306.000.000</b>	<b>434.338.906</b>
1- (Nominal) Capital	15	306.000.000	306.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital	47	-	128.338.906
4- Negative Inflation Adjustment on Capital (-)		-	-
<b>B- Capital Reserves</b>		<b>796.537</b>	<b>99.959.485</b>
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		796.537	99.959.485
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>63.052.588</b>	<b>2.099.758.587</b>
1- Legal Reserves		59.802.506	104.134.439
2- Statutory Reserves		62	62
3- Extraordinary Reserves		-	207.779.928
4- Special Funds (Reserves)		3.250.020	52.898.500
5- Revaluation of Financial Assets	11.6, 16	-	1.734.945.658
6- Other Profit Reserves		-	-
<b>D- Previous Years' Profits</b>		<b>319.270</b>	-
1- Previous Years' Profits		319.270	-
<b>E- Previous Years' Losses (-)</b>		-	-
1- Previous Years' Losses		-	-
<b>F- Net Profit of the Period</b>		<b>1.476.010</b>	<b>34.965.827</b>
1- Net Profit of the Period		-	34.169.290
2- Net Loss of the Period		1.476.010	-
3- Net Income not subject to distribution		-	796.537
<b>Total Shareholders' Equity</b>		<b>371.644.405</b>	<b>2.669.022.805</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)</b>		<b>1.033.350.638</b>	<b>3.280.068.221</b>

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 2010 AND 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT			
TL			
I- TECHNICAL PART	Note	Audited	Denetimden Geçmiş
		Current Period 01/01/2010- 31/12/2010	Önceki Dönem 01/01/2009- 31/12/2009
<b>A- Non-Life Technical Income</b>		<b>678.141.186</b>	<b>639.804.141</b>
1- Earned Premiums (Net of Reinsurer Share)		599.207.671	541.377.407
1.1- Premiums (Net of Reinsurer Share)	24	634.835.590	547.363.468
1.1.1- Gross Premiums (+)		886.024.891	850.758.341
1.1.2- Ceded Premiums to Reinsurers (-)	17.16	(251.189.301)	(303.394.873)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(37.743.152)	(18.199.544)
1.2.1- Unearned Premiums Reserve (-)		(30.660.690)	(40.278.124)
1.2.2- Reinsurance Share of Unearned Premiums Reserve (+)	17.16	(7.082.462)	22.078.580
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		2.115.233	12.213.483
1.3.1- Unexpired Risks Reserve (-)		11.779.811	8.093.487
1.3.2- Reinsurance Share of Unexpired Risks Reserve (+)	17.16	(9.664.578)	4.119.996
2- Investment Income Transferred from Non-Technical Part		31.381.014	51.645.552
3- Other Technical Income (Net of Reinsurer Share)		47.552.501	46.781.182
3.1- Gross Other Technical Income (+)		48.013.233	48.871.716
3.2- Reinsurance Share of Other Technical Income (-)		(460.732)	(2.090.534)
<b>B- Non-Life Technical Expense (-)</b>		<b>(656.560.966)</b>	<b>(623.542.974)</b>
1- Total Claims (Net of Reinsurer Share)		(446.397.926)	(444.959.435)
1.1- Claims Paid (Net of Reinsurer Share)		(453.547.775)	(439.770.715)
1.1.1- Gross Claims Paid (-)		(607.153.434)	(615.066.099)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	153.605.659	175.295.384
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	7.149.849	(5.188.720)
1.2.1- Outstanding Claims Reserve (-)		43.742.708	(19.625.439)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	17.16	(36.592.859)	14.436.719
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) (+/-)		(3.869.264)	(3.394.045)
4- Operating Expenses (-)	32	(206.293.776)	(175.189.494)
<b>C- Non Life Technical Net Profit (A-B)</b>		<b>21.580.220</b>	<b>16.261.167</b>
<b>D- Life Technical Income</b>		<b>1.173.347</b>	<b>2.128.307</b>
1- Earned Premiums (Net of Reinsurer Share)		195.401	298.709
1.1- Premiums (Net of Reinsurer Share)	24	195.070	298.184
1.1.1- Gross Premiums (+)		261.350	412.630
1.1.2- Ceded Premiums to Reinsurers (-)	17.16	(66.280)	(114.446)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		331	525
1.2.1- Unearned Premium Reserves (-)		4.068	8.253
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	17.16	(3.737)	(7.728)
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		780.396	1.598.452
3- Unrealized Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		197.550	231.146
<b>E- Life Technical Expense</b>		<b>(974.498)</b>	<b>(1.822.493)</b>
1- Total Claims (Net of Reinsurer Share)		(2.272.953)	(3.039.625)
1.1- Claims Paid (Net of Reinsurer Share)		(2.328.695)	(3.072.290)
1.1.1- Gross Claims Paid (-)		(2.328.695)	(3.123.890)
1.1.2- Claims Paid Reinsurer Share (+)	17.16	-	51.600
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	55.742	32.665
1.2.1- Outstanding Claims Reserve (-)		50.839	33.265
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	17.16	4.903	(600)
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) (+/-)		539.428	541.024
3.1- Life Mathematical Reserves (-)		539.428	541.024
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) (+/-)		871.915	923.512
4.1- Reserves for Life Insurance Policies Including Investment Risk (-)		871.915	923.512
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	(65.860)	(158.932)
7- Investment Expenses (-)		-	-
8- Unrealized Losses from Investments (-)		-	-
9- Investment Income Transferred to Non- Technical Part (-)		(47.027)	(88.472)
<b>F- Life Technical Profit (D - E)</b>		<b>198.849</b>	<b>305.814</b>
<b>G- Individual Retirement Technical Income</b>			
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Special Service Expense Charge		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
<b>H- Individual Retirement Technical Expense</b>			
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
<b>I- Individual Retirement Technical Profit (G-H)</b>			

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 2010 AND 2009**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENTS			
			TL
II- NON TECHNICAL PART	Note	Audited Current Period 01/01/2010- 31/12/2010	Audited Previous Period 01/01/2009- 31/12/2009
<b>C- Non Life Technical Profit</b>		<b>21.580.220</b>	<b>16.261.167</b>
<b>F- Life Technical Profit</b>		<b>198.849</b>	<b>305.814</b>
<b>I- Individual Retirement Technical Profit</b>			
<b>J- Total Technical Profit (C+F+I)</b>		<b>21.779.069</b>	<b>16.566.981</b>
<b>K- Investment Income</b>		<b>55.934.782</b>	<b>106.502.198</b>
1- Income From Financial Investment	26	25.708.657	41.226.758
2- Income from Sales of Financial Investments	26	18.517.830	29.009.686
3- Revaluation of Financial Investments	26	2.339.688	-
4- Foreign Exchange Gains	36	9.069.589	13.893.526
5- Dividend Income from Participations	26	20.185	22.066.660
6- Income from Subsidiaries and Joint Ventures			
7- Income Received from Land and Building	26	231.806	217.096
8- Income from Derivatives			
9- Other Investments			
10- Investment Income transferred from Life Technical Part		47.027	88.472
<b>L- Investment Expenses (-)</b>		<b>(43.253.786)</b>	<b>(75.906.510)</b>
1- Investment Management Expenses (including interest) (-)			
2- Valuation Allowance of Investments (-)	26		(3.751.772)
3- Losses On Sales of Investments (-)			
4- Investment Income Transferred to Life Technical Part (-)		(31.381.014)	(51.645.552)
5- Losses from Derivatives (-)			
6- Foreign Exchange Losses (-)	36	(7.811.937)	(16.881.704)
7- Depreciation Expenses (-)	32	(4.060.835)	(3.491.701)
8- Other Investment Expenses (-)			(135.781)
<b>M- Other Income and Expenses (+/-)</b>	<b>47</b>	<b>(25.507.329)</b>	<b>(12.196.842)</b>
1- Provisions Account (+/-)		(18.178.878)	(9.103.406)
2- Discount account (+/-)		156.900	4.615.548
3- Special Insurance Account (+/-)		337.751	223.337
4- Inflation Adjustment Account (+/-)			
5- Deferred Tax Asset Accounts(+/-)	35	5.439.936	
6- Deferred Tax Expense Accounts (-)	35		(3.250.020)
7- Other Income and Revenues	47	5.464.047	2.817.089
8- Other Expense and Losses (-)	47	(18.727.085)	(7.499.390)
9- Prior Period Income			
10- Prior Period Losses (-)			
<b>N- Net Profit / (Loss)</b>		<b>1.476.010</b>	<b>34.965.827</b>
1- Profit /(Loss) Before Tax		8.952.736	34.965.827
2- Corporate Tax Liability Provision (-)	35	(7.476.726)	
3- Net Profit (Loss)		1.476.010	34.965.827
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 2010**

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

AKSİGORTA A.Ş.

AKSİGORTA ANONİM ŞİRKETİ  
 STATEMENT OF CHANGES IN EQUITY

(Audited)

TL

CURRENT PERIOD	Capital	Equity Shares Purchased by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserve	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit /(Loss) for the Period	Previous Years Profit /(Loss)	Total
<b>I - Closing Balance of Prior Period (31/12/2009)</b>	<b>306.000.000</b>	-	<b>1.734.945.658</b>	<b>128.338.906</b>	-	<b>104.134.439</b>	<b>62</b>	<b>360.637.913</b>	-	<b>34.965.827</b>	<b>2.669.022.805</b>
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and Losses not included in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (*)	-	-	(1.734.945.658)	(128.338.906)	-	(44.331.933)	-	(360.637.913)	-	(3.250.020)	<b>(2.271.504.430)</b>
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (losses)	-	-	-	-	-	-	-	3.250.020	-	-	<b>3.250.020</b>
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit (Loss) For the Period	-	-	-	-	-	-	-	-	1.476.010	-	<b>1.476.010</b>
I- Dividends Paid	-	-	-	-	-	-	-	-	-	(30.600.000)	<b>(30.600.000)</b>
J- Transfer	-	-	-	-	-	-	-	796.537	-	(796.537)	-
<b>II- Closing Balance (31/12/2010) (I+ A+B+C+D+E+F+G+H+I+J)</b>	<b>306.000.000</b>	-	-	-	-	<b>59.802.506</b>	<b>62</b>	<b>4.046.557</b>	<b>1.476.010</b>	<b>319.270</b>	<b>371.644.405</b>

(\*) As a result of the transfer to Hacı Ömer Sabancı Holding A.Ş. ("Holding"), the parent company, of shares of Akbank T.A.Ş., which were indicated as "Assets to be Disposed of" in the account "other current assets for previous period" in the enclosed financial statements, and of shares of AvivaSA Emeklilik ve Hayat A.Ş., included in the joint ventures portfolio, as a consequence of the partial spin-off that took place on 12 January 2010, within the framework of the private placement through capital increase made in return for adding of the above shares to the Holding as capital in-kind and distribution to shareholders, other than the Holding, of shares representing the capital increased; of the capital amounting to TL 533,308,752 issued as the paid-in capital of the Company, which was increased from TL306,000,000 to TL839,308,752 and simultaneously decreased to TL306,000,000, TL128,338,906 was met from the account positive differences from capital adjustment, TL 44,331,933 from the account inflation differences from legal reserves, TL153,605,731 from the account inflation differences from extraordinary reserves, TL 54,174, 197 from the account extraordinary reserves, TL 99,959,485 from the account participation and real estate sales profit and TL52,898,500 from the account provision for earthquake loss. Furthermore, of the capital decrease amounting to TL 533,308,752, TL 402,792,696 was provided from the cost value of shares of Akbank T.A.Ş. and 130,516,056 from that of shares of AvivaSA Emeklilik ve Hayat A.Ş. As a result of the partial spin-off, valuation difference of TL 1,317,579,203 of Akbank T.A.Ş. on the partial spin-off date and valuation difference of TL417,706,115 of AvivaSA Emeklilik ve Hayat A.Ş. on the partial spin-off date were netted off with the account Financial Assets Valuation. All these amounts were indicated in the line "Value Increase in Assets".

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 2009**

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

AKSİGORTA A.Ş.

AKSİGORTA ANONİM ŞİRKETİ  
 STATEMENT OF CHANGES IN EQUITY  
 (Audited)

TL

Previous Period	Capital	Equity Shares Purchased by the Company (-)	Revaluation of Değer Financial assets	Inflation Adjustment on Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) For the period	Previous Years Profit / (Loss)	Total
<b>I - Closing Balance of Prior Period (31/12/2008)</b>	<b>306.000.000</b>	-	<b>843.876.544</b>	<b>128.338.906</b>	-	<b>97.863.921</b>	<b>62</b>	<b>370.242.017</b>	-	<b>48.686.414</b>	<b>1.795.007.864</b>
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and Losses not included in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets	-	-	891.069.114	-	-	-	-	-	-	-	891.069.114
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (losses)	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit (Loss) For the Period	-	-	-	-	-	-	-	-	34.965.827	-	34.965.827
I - Dividends Paid	-	-	-	-	-	-	-	(20.791.954)	-	(31.228.046)	(52.020.000)
J- Transfer	-	-	-	-	-	6.270.518	-	11.187.850	-	(17.458.368)	-
<b>II- Closing Balance (31/12/2009) (I+ A+B+C+D+E+F+G+H+I+J)</b>	<b>306.000.000</b>	-	<b>1.734.945.658</b>	<b>128.338.906</b>	-	<b>104.134.439</b>	<b>62</b>	<b>360.637.913</b>	<b>34.965.827</b>	-	<b>2.669.022.805</b>

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 2010**

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>STATEMENTS OF CASH FLOWS</b>			
			<b>TL</b>
	<b>Note</b>	<b>AUDITED Current Period (31/12/2010)</b>	<b>AUDITED Previous Period (31/12/2009)</b>
<b>A. CASH GENERATED FROM MAIN OPERATIONS</b>			
1. Cash flows from insurance operations		760.767.510	713.795.379
2. Cash flows from reinsurance operations		-	-
3. Cash flows from private pension funds operations		-	-
4. Cash outflows from insurance operations (-)		(726.475.528)	(664.905.256)
5. Cash outflows from reinsurance operations (-)		-	-
6. Cash outflows from private pension funds operations (-)		-	-
<b>7 Net Cash from main operations (A1+A2+A3-A4-A5-A6)</b>		<b>34.291.982</b>	<b>48.890.123</b>
8. Interest payment (-)		-	-
9. Income tax payment (-)	<b>35</b>	(3.138.650)	(5.960.264)
10. Other cash inflows		49.365.557	(6.253.112)
11. Other cash outflows (-)		(63.657.319)	25.495.587
<b>12. Net cash provided by main operations</b>	<b>39</b>	<b>16.861.570</b>	<b>62.172.334</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Sale of tangible assets		6.184.397	978.810
2. Tangible assets acquisition (-)		(872.855)	(640.049)
3. Financial assets acquisition (-)		(15.775.044)	(9.116.593)
4. Sales of financial assets		-	7.218.750
5. Interest received		43.196.999	69.418.215
6. Dividends received		20.185	22.066.660
7. Other cash inflows		9.350.979	14.265.566
8. Other cash outflows (-)		(46.300.908)	(36.252.674)
<b>9. Net Cash from investing activities</b>	<b>39</b>	<b>(4.196.247)</b>	<b>67.938.685</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Issue of shares		-	-
2. Cash inflows due to the borrowings		-	-
3. Leasing payments (-)		-	-
4. Dividends paid (-)		(30.600.000)	(52.020.000)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
<b>7. Net cash used in financing activities</b>	<b>39</b>	<b>(30.600.000)</b>	<b>(52.020.000)</b>
<b>D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
		-	-
<b>E. Net increase in cash and cash equivalents (A12+B9+C7+D)</b>		<b>(17.934.677)</b>	<b>78.091.019</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>14</b>	292.120.907	337.014.840
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	<b>14</b>	<b>274.186.230</b>	<b>415.105.859</b>

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

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

### 1. **General Information**

#### 1.1 **Parent Company and the ultimate owner**

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. as of 31 December 2010. 38,02% (31 December 2009: %38,02) of the Company is issued in İstanbul Stock Exchange ("İMKB") (Note 2.14).

#### Approval of financial statements

The Company's financial statements are approved and authorized for issuance as of 11 March 2011 by the Board of Directors. Financial statements can be amended upon the authorization granted in the General Assembly.

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

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

#### 1.3 **Main operations of the Company**

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has also 10 district offices of which four of them are in İstanbul (İstanbul 1, İstanbul 2, İstanbul 3 and İstanbul Kurumsal), and one each in Adana, Ankara, Bursa, Ege, Karadeniz and Akdeniz and two district agencies; in Denizli and Karadeniz.

#### 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**

	<b>31 Aralık 2010</b>	<b>31 Aralık 2009</b>
Key management personnel	9	9
Directors	313	312
Officers	264	262
Total	<b>586</b>	<b>583</b>

#### 1.6 **Remuneration and fringe benefits provided to top management**

As of 31 December 2010, remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 2.983.980 in total (31December 2009: TL 2.382.451).

## **AKSIGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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)**

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

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

#### **1.8 Stand-alone or consolidated financial statements**

The accompanying financial statements comprise the stand-alone financial statements (Aksigorta A.Ş.) as of 31 December 2010.

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

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

#### **1.10 Subsequent Events**

The Company's financial statements are approved and authorized for issuance as of 11 March 2011 by the Board of Directors. Detail information about this issue is disclosed in Note 46.

## **2. Summary of the Accounting Policies**

### **2.1 Basis of Preparation**

#### **Basis of Preparation of Financial Statements and Specific Accounting Policies Used**

##### Accounting Standards

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



## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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 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 ("Treasury"). As a result of the changes in technical provisions has been recognized in financial statements prepared as of 30 September 2010, the effects of such changes have been recognized in the financial statements as of 31 December 2010.

##### **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.

## AKSİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(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 2010 is presented in comparison with its balance sheet as of 31 December 2009. The Company's income statement, statement of changes in equity and cash flow statement for the year ended as of 31 December 2010 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 2009.

In order to correlate comparative information of current periods financial statements, the Company reclassifies credit card receivables, amounting to TL 152.273.239 (31 December 2009: TL 106.571.930) under the account "Receivables From Insurance Operations".

##### 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 finish at 12.00 noon again. Within the framework of the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurers' share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months (Note 20).

###### Deferred commission expense and income

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

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

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%, the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premium reserve for the related branch.

Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2010 (Note 20).

The Company has calculated and accounted for net unexpired risk reserve amounting to as of 31 December 2010 TL 280.668 (31 December 2009: TL 2.395.901) (Note 20).

Claims provision

The Company accounts for outstanding claims provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and salvage, subrogation and similar gains are not deducted as of 31 December 2010 (As of 31 December 2009, salvage, subrogation and similar gains have been deducted in calculations related to outstanding claim provisions).

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

Within the framework of the Circular effective from 30 September 2010, insurance companies are required to prepare their actuarial chain ladder method ("New ACLM") calculations on each branches by considering the 5 different methods prescribed in Circular and the incurred losses (total amount of paid and outstanding claims). Insurance companies have right to determine the most appropriate method of 5 methods prescribed in Circular in calculations of New ACLM for each branch and the companies shall not change the ultimate method determined for each branch as of 31 December 2010 for 3 years.

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

The peak claims which are mentioned as big claims are eliminated in a separate calculation file by using prescribed statistical methods in the Circular to calculate ACLM with more homogeneous data set. Furthermore, ACLM amounts are calculated on gross basis and net ACLM amounts are determined with the related reinsurance agreements in force. The methods determined by Company for each branch in New ACLM calculations, the results of the calculations, the methods used to calculate amounts net of reinsurer's share, and limits used to elimination of big claims are disclosed in Note 20.

An individual calculation is performed to test the adequacy of provision for claims incurred but not reported determined by New ACLM calculations. In calculation of amount of claims incurred but not reported, for the 5 years period, written premium and claims incurred but not reported during the related years less the salvage and subrogation income recovered are considered. Total additional provision amount resulted from this calculation is compared to total additional provision amount resulted from New ACLM calculations and results of the method that anticipates higher provision as a conclusion are considered as the claims incurred but not reported for each branch. The Company has compared methods aforementioned and considered the results of New ACLM calculations as provision for claims incurred but not reported. Nonetheless, in respect to Circular, for the year 2010, minimum 80% of the provision for claims incurred but not reported shall be accounted in financial statements, where starting from 2011 and 2012, it is required to account 90% and 100% of the provision for claims incurred but not reported, respectively.

The Company has calculated and accounted for 80% of provision for claims incurred but not reported as net additional outstanding claim provision amounting to TL 44.828.279 (Note 4.1.2.3).

Within the framework of the regulations before aforementioned changes in Regulation on Technical Reserves, the Company accounted for an additional outstanding claims provisions as provision for claims incurred but not reported amounting to TL 43.500.445 and provision for claim adequacy difference amounting to TL 21.299.328, net income for salvage and subrogation amounting to TL 14.032.679, and old ACLM difference amounting to TL 4.352.738 as of 31 December 2009. As of 31 December 2009, had the Company been accounted for the outstanding claims provision in accordance with the changes in "Regulations on Technical Reserves" and other regulations, outstanding claims provision at 31 December 2009 would have increased by TL 35.626.106 (Note 4.1).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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)**

In respect to Circular numbered 2010/16 and dated 18 October 2010, income from salvage and subrogation carried forward to 2010 financial statements amounting TL 14.032.833 which was deducted from the outstanding claim reserve at 31 December 2009 classified under "Provisions" in the income statement at 31 December 2010.

In accordance with the Communique, Company selected the most appropriate method for the structure of the company portfolio and in accordance with the decision the Actuary of the Company for the New ACLM calculation done for the first time in each branch. The methods and the additional amounts to be booked as gross and net of reinsurance are as follows:

Branch	Applied Method	Gross Additional Provision	Net Additional Provision	Gross Additional	Net Additional
				Provision	Provision
Fire and natural forces (*)	Munich	(4.940.672)	(1.351.606)	(3.952.538)	(1.081.285)
Transportation	Munich	1.268.500	504.371	1.014.800	403.497
Accident	Munich	3.324.700	1.843.768	2.659.760	1.475.014
Land vehicles (*)	Munich	(12.568.401)	(10.520.410)	(10.054.712)	(8.416.328)
Air vehicles (*)	Munich	(18.426)	(2)	(14.741)	(2)
Water vehicles (*)	Munich	(358.842)	(24.872)	(287.074)	(19.898)
General losses	Munich	10.017.950	2.107.036	8.014.360	1.685.629
Land vehicles liability	Munich	73.835.316	62.764.190	59.068.253	50.211.352
Water vehicles liability (*)	Munich	(444.474)	-	(355.579)	-
General Liability	Munich	3.401.697	678.968	2.721.358	543.174
Financial Liability (*)	Munich	(3.018.570)	(119.885)	(2.414.856)	(95.908)
Legal protection (*)	Munich	(18.718)	(16.846)	(14.974)	(13.477)
Credit (*)	Munich	(31.684)	-	(25.347)	-
Sickness\Health	Munich	219.099	204.454	175.279	163.563
Breach of trust (*)	Munich	(113.208)	(33.815)	(90.566)	(27.052)
<b>Total</b>		<b>70.554.267</b>	<b>56.035.351</b>	<b>56.443.423</b>	<b>44.828.279</b>

(\*) 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 has used the rate of net outstanding claims to gross net outstanding claims of the last 28 quarters on branch basis as netting method.

## AKSİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

(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 Company eliminated the large claims which are mentioned as big claims by using prescribed statistical methods in the Communiqué 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:

<u>Branch</u>	<u>Big Claims Limit</u>
Air Vehicles Liability	84.246

#### Equalisation Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. The Company has accounted for an equalisation reserve amounting to TL 10.844.089 as of 31 December 2010 (31 December 2009: TL 6.974.825) (Note 20).

#### Life mathematical reserves

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

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

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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)**

## d. Subrogation and salvage income

Within the framework of the “Circular on Salvage and Subrogation Income” numbered 2010/13 and dated 20 September 2010 issued by the Treasury, the Company recognizes receivables from salvage and subrogation under the account “Receivables from main operations” on an accrual basis as of 31 December 2010 up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquittance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim. Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation are TL 32.342.158 and TL 20.113.801, respectively (Note 12.1). As of 31 December 2009, in line with the declaration dated 18 January 2005 and numbered B.02.1.HM.O.SGM.0.3.1.1 of the Treasury, the Company recognized receivables from salvage and subrogation from individuals and legal entities with whom the Company has not agreed on payment terms have been followed under off-balance sheet items. Due to the change in related regulations, receivables from salvage and subrogation from individuals and legal entities with whom the Company has not agreed amounting TL 9.191.417 recorded in receivables from main operations as of 31 December 2010.

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables as at 31 December 2010 for the claims paid by the Company are as follows:

	31 December 2010					
	Collection			Accrual		
	Gross	Reinsurer’s share	Net	Gross	Reinsurer’s share	Net
Fire and natural forces	798.379	(528.054)	270.325	5.971.628	(3.949.681)	2.021.947
Transportation	1.667.939	(1.146.335)	521.604	5.765.326	(3.962.372)	1.802.954
Accident	46.392	(18.419)	27.973	3.819	(1.516)	2.303
Land Vehicles	76.345.861	(9.761.756)	66.584.105	25.867.611	(3.307.492)	22.560.112
Water Vehicles	-	-	-	97.812	(92.409)	5.403
General losses	127.207	(78.050)	49.157	917.029	(562.659)	354.370
Land Vehicles Liability	2.517.035	(395.418)	2.121.617	6.637.856	(1.042.787)	5.595.069
General Liability	4.395	(3.248)	1.147	-	-	-
Total	81.507.208	(11.931.280)	69.575.928	45.261.081	(12.918.916)	32.342.158

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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)**

	31 December 2009					
	Collection			Accrual		
	Gross	Reinsurer’s share	Net	Gross	Reinsurer’s share	Net
Fire and natural forces	752.008	(418.204)	333.804	5.567.615	(3.096.239)	2.471.376
Transportation	2.345.626	(1.879.584)	466.042	6.316.512	(5.061.513)	1.254.999
Accident	24.148	(14.439)	9.709	4.587	(2.743)	1.844
Land vehicles	64.171.777	(11.928.863)	52.242.914	25.940.758	(4.822.116)	21.118.642
Water vehicles	71.582	(52.210)	19.372	94.900	(69.218)	25.682
General losses	32.615	(19.061)	13.554	560.811	(327.744)	233.067
Land vehicles liability	2.350.270	(400.602)	1.949.668	5.522.746	(941.349)	4.581.397
General Liability	7.371	(5.417)	1.954	-	-	-
Total	69.755.397	(14.718.380)	55.037.017	44.007.929	(14.320.922)	29.687.007

**e. Premium Income and Claims**

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

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

**f. Receivables from Insurance Operations**

The Company accounts for provisions for the receivables in accordance with the management’s evaluations and estimations. The provision is classified as “Provision for Due from Insurance Operations” on the balance sheet. The Company set its estimations within the risk policies and the prudence principle by considering of the structure of current receivable portfolio, financial structure of insureds and intermediaries, non-financial data and economic conjuncture.

In addition to provision for due from insurance operations, in line with the Turkish Tax Code article No: 323, the Company provides a “Provision for doubtful receivables under legal follow-up”, amounting to TL 17.948.102 (31 December 2009: TL 17.641.540) for the doubtful receivables which are not included in provision for due from insurance operations stated above, by considering the amount and nature of these receivables. This provision is classified as “Doubtful Receivables from Main Operations” on the balance sheet.

Provision for doubtful receivables is deducted from the related year’s income. Recoveries of amounts previously provided for are treated as a reduction from provisions for overdue receivables for the period and recorded in the “Provision Expense” account, amounting to TL 3.283.354 (31 December 2009: TL 4.775.043). Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

**g. Discount of Receivables and Payables**

Receivables and payables are carried at book values in the financial statements. Receivables and payables are subject to discount.



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

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

The Company adjusts its financial statements in the occurrence of any subsequent events.

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

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

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 but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

l. Taxation and deferred tax

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

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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)**

##### Corporate Tax

Corporation tax is payable at a rate of 20% on the total income of the Company and its Subsidiaries registered in Turkey in 2010 (also in 2009) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

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

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

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since these conditions in question were not fulfilled in 2008 and in the first six months of 2009, no inflation adjustments were performed (Note 35).

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

##### 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.

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.

#### **2.1.2 Other related accounting policies for the understanding of financial statements**

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

#### **2.1.3 Functional currency**

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

#### **2.1.4 Rounding degree used in the financial statements**

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

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

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

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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#### **2.1.6 Adoption of New and Revised Standards**

Changes and interpretations in TFRS those are effective in 2010 and not relevant for the financial statements of the Company:

- TFRS 3 (revised), "Business combinations" (Effective for annual periods starting on or after 1 July 2009),
- TMS 27 (revised), "Consolidated and separate financial statements", (Effective for annual periods starting on or after 1 July 2009),
- TFRYK 17, "Distribution of non-cash assets to owners" (Effective for annual periods starting on or after 1 July 2009),
- TFRYK 18, "Transfers of assets from customers", (Effective for annual periods starting on or after 1 July 2009),
- TFRYK 9, "Reassessment of embedded derivatives" (Effective for annual periods starting on or after 1 July 2009),
- TFRYK 16, "Hedges of a net investment in a foreign operation" (Effective for annual periods starting on or after 1 July 2009),
- TMS 38 (amendment), "Intangible assets", (Effective for annual periods starting on or after 1 January 2010),
- TMS 1 (amendment), "Presentation of financial statements" (Effective for annual periods starting on or after 1 January 2010),
- TMS 36 (amendment), "Impairment of assets", (Effective for annual periods starting on or after 1 January 2010),
- TFRS 2 (amendment), "Group cash-settled share-based payment transactions" (Effective for annual periods starting on or after 1 January 2010),
- TFRS 5 (amendment), "Non-current assets held for sale and discontinued operations" (Effective for annual periods starting on or after 1 January 2010).

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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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 9 "Financial instruments", (Effective for annual periods starting on or after 1 January 2013), This standard is the first step in the process to replace TMS 39 "Financial instruments: recognition and measurement". TFRS 9, introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets,
- TMS 24 (revised), "Related party disclosures", (Effective for annual periods starting on or after 1 January 2011) clarifies and simplifies the definition of a related party. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates,
- TMS 32 (amendment), "Classification of rights issues", (Effective for annual periods starting on or after 1 February 2010), The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer,
- TFRYK19, "Extinguishing financial liabilities with equity instruments", (Effective for annual periods starting on or after 1 July 2010),
- TFRYK 14 (amendment), "The limit on a defined benefit asset, minimum funding requirements and their interaction", (Effective for annual periods starting on or after 1 January 2011).

#### **2.2 Consolidation**

The Company disposed of AvivaSA Emeklilik ve Hayat A.Ş., its joint venture, on 14 January 2010 by means of a partial spin-off and has no subsidiaries or joint ventures that fall within the scope of consolidation as per "TMS 27 – Consolidated and Unconsolidated Financial Statements" as of 31 December 2010.

#### **2.3 Segment Reporting**

The Company has considered life and non-life insurance in segment reporting under "TFRS 8 - Operation Segments".

#### **2.4 Discounted Operations**

Discontinued operations is a separable part of a company that the company disposes or classifies as available-for-sale asset, its operations and cashflows can be separated from the entire company. Discontinued operations are the part of a sale or disposal plan or assets held-for-sale. The Company measures the discontinued operations as the minimum of their book value and their fair value less their cost incurred for their disposals. Discontinued operations are presented in Note 47.

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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#### **2.5 Foreign Currency Translation**

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

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

#### **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.

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>
Property for Operational Usage (Buildings)	50 years
Machinery and Equipment	10 years
Motor Vehicles	4 years
Fixtures	10 years
Leasehold Improvements	4 years

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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#### **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 (3 to 10 years).

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

**2.9 Financial Assets**

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

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

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables".

Effective interest method

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

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 a) held-to-maturity, b) held for trading, or c) loans and receivables are classified 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, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

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



**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

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

**2.10 Impairment of Assets**

Impairment of non-financial assets

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

**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 estimated future cash flows, discounted at the original effective interest rate.

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

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

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

**2.11 Derivative Financial Instruments**

None (31 December 2009: None).

**2.12 Offsetting Financial Instruments**

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

**2.13 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which 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.

## AKSİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

#### 2.14 Share Capital

As of 31 December 2010, the Company's nominal capital is TL 306.000.000 (31 December 2009: 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 2010		31 December 2009	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	61,98	189.658.800	61,98	189.658.800
Other	38,02	116.341.200	38,02	116.341.200
	100,00	306.000.000	100,00	306.000.000

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 2010, the Company's registered capital is TL 500.000.000 (31 December 2009: TL 500.000.000).

As a result of the contribution as capital-in-kind to Hacı Ömer Sabancı Holding A.Ş., of shares of Akbank T.A.Ş., which were included in the portfolio of assets available for sales of the Company and indicated in the account "other current assets for previous period" in the enclosed financial statements, and of shares of AvivaSA Emeklilik ve Hayat A.Ş., included in the joint ventures portfolio, by means of a partial spin-off and within the framework of the private placement through capital increase made by the Holding for the purpose of distribution to shareholders, other than the Holding, of shares representing the capital increased; the shares with a nominal value of TL 533,308,752, which arose as the paid-in capital of the Company was increased from TL 306,000,000 to TL 839,308,752 and simultaneously decreased to TL 306,000,000, were recorded by the Capital Markets Board in accordance with the provisions of Capital Markets Law No. 2499 and were registered in the Trade Registry on 12 January 2010. Capital increase and capital decrease were recorded with Merkezi Kayıt Kuruluşu A.Ş. on 14 January 2010. Detailed information on this subject is presented in Note 47.

#### 2.15 Insurance and Investment Contracts - Classification

##### Insurance Contracts:

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

**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 decomposed.

**2.16 Insurance and Investment Contracts With Discretionary Participation Features**

None (31 December 2009: None).

**2.17 Investment Contracts without Discretionary Participation Features**

None (31 December 2009: None).

**2.18 Borrowings**

None (31 December 2009: None).

**2.19 Deferred Tax**

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

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

The effective tax rate used in 2010 and 2009 is 20 %.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate used in 2010 and 2009 is 20%. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

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

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

Liabilities that 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 non-consolidated financial statements (Note 23).

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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#### **2.22 Accounting for revenues**

##### Written Premium

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

Commissions received in the current period but relate to subsequent financial periods in return for the premiums ceded to the reinsurance companies are accounted as deferred commission income.

##### Interest income and expense

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

##### Dividend income

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

#### **2.23 Finance Lease - the Company as lessee**

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

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

**2.24 Profit Share Distribution**

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 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.

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

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

**4. Insurance and Financial Risk Management**

**4.1 Insurance Risk**

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

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

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

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

**4.1.2.1 Sensitivity to insurance risk**

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

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

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

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

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



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**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 2010 (*)			31 December 2009 (**)		
	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 forces	26.159.445	(19.165.495)	6.993.950	65.720.924	(55.842.997)	9.877.927
Marine	7.280.474	(4.385.262)	2.895.212	10.217.207	(7.897.212)	2.319.995
Accident	5.282.774	(2.353.094)	2.929.680	4.516.427	(2.000.987)	2.515.440
Land Vehicles	45.940.281	(7.212.639)	38.727.642	44.735.568	(5.994.093)	38.741.475
Air Vehicles	22.112	(22.112)	-	133.170	(133.170)	-
Water Vehicles	2.231.326	(2.083.001)	148.325	2.805.417	(2.216.365)	589.052
General Losses	26.973.653	(21.300.306)	5.673.347	25.926.159	(19.925.731)	6.000.428
Motor Vehicles Liability	141.792.756	(22.261.466)	119.531.290	125.342.173	(14.452.617)	110.889.556
Air Vehicles Liability	533.369	(533.369)	-	652.408	(640.185)	12.223
General Liability	15.916.740	(12.713.544)	3.203.196	20.290.243	(17.373.199)	2.917.044
Financial Losses	3.622.285	(3.478.422)	143.863	201.968	(172.424)	29.544
Legal Protection	22.461	(2.246)	20.215	1.173.833	2.211.331	3.385.164
Credit	(25.244)	25.244	-	658.615	(658.615)	-
Sickness\Health	22.536.138	(1.506.324)	21.029.814	21.033.476	(5.274.494)	15.758.982
Breach of Trust	135.849	(95.271)	40.578	170.863	(122.494)	48.369
Life	3.779.414	(4.903)	3.774.511	3.830.253	-	3.830.253
<b>Total</b>	<b>302.203.833</b>	<b>(97.092.210)</b>	<b>205.111.623</b>	<b>327.408.704</b>	<b>(130.493.252)</b>	<b>196.915.452</b>

(\*) Total claim liability includes all claims reserves as of the balance sheet date, outstanding claims reserve, incurred but not reported claims of TL 42.828.279 the actuarial chain ladder method and additional reserves from outstanding claims reserve adequacy calculation.

(\*\*) Total claim liability includes all claims reserves as of the balance sheet date, outstanding claims reserve of TL 137.965.367, incurred but not reported claims of TL 43.500.000, the actuarial chain ladder method difference of TL 4.352.738, additional reserves from outstanding claims reserve adequacy calculation of TL 21.299.328 and recovered amount of TL (14.032.679).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

Outstanding Claim and Compensation Provision:

	31 December 2010			31 December 2009			
	Fiscal Year Effect (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(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	55.742	3.779.414	(4.903)	3.774.511	3.830.253	-	3.830.253
GrandTotal	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 within unpaid claims in the total outstanding compensation provision in the balance sheet date.

(\*\*\*) Renewable Amounts consists of estimated claim recovery and salvage incomes deducted from outstanding claims provisions, as per memorandum dated October 18, 2010, numbered 2010/16.

	31 December 2009			31 December 2008			
	Fiscal Year Effect (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(27.536.420)	262.385.286	(124.419.919)	137.965.367	211.599.628	(101.170.681)	110.428.947
Incurred But Not Reported Claims (IBNR)	(7.185.663)	56.162.332	(12.661.887)	43.500.445	60.291.546	(23.976.764)	36.314.782
Outstanding Compensation Provision							
Adequacy Difference	7.305.928	21.699.875	(400.547)	21.299.328	46.658.306	(18.053.050)	28.605.256
Actuarial Chain Ladder Method Difference	(4.047.408)	1.922.277	2.430.461	4.352.738	211.048	94.282	305.330
Renewable							
Amounts (-)	2.062.637	(18.591.319)	4.558.640	(14.032.679)	(14.711.253)	2.741.211	(11.970.042)
Clean-cut Effect(**)	24.211.579	-	-	-	-	-	-
Non-Life Total	(5.189.347)	323.578.451	(130.493.252)	193.085.199	304.049.275	(140.365.002)	163.684.273
Life	33.292	3.830.253	-	3.830.253	3.863.545	-	3.863.545
Grand Total	(5.156.055)	327.408.704	(130.493.252)	196.915.452	307.912.820	(140.365.002)	167.547.818

(\*\*) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized 2009 premium and claims portfolio outputs by December 31, 2009. As per the same agreement, portfolio inputs are also made in 2010. Effect of 2010 portfolio input has influenced fiscal year Ceded Reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision.

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

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

	31 December 2010			31 December 2009		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of Period	262.385.286	(124.419.919)	137.965.367	211.599.628	(101.170.681)	110.428.947
Opened in the period	600.644.147	(125.089.040)	475.555.107	730.875.175	(204.617.955)	526.257.220
Paid from Fiscal Year (-)	(432.086.620)	109.314.955	(322.771.665)	(437.717.745)	133.594.752	(304.122.993)
Paid from Previous Period (-)	(175.066.814)	44.290.704	(130.776.110)	(177.348.354)	41.700.632	(135.647.722)
Period End Reported Claims	255.875.999	(95.903.301)	159.972.698	327.408.704	(130.493.252)	196.915.452

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

### Gross claim development table prepared on the principles of incurred claims by December 31, 2010:

Accident year	1 January 2004-	1 January 2005-	1 January 2006-	1 January 2007-	1 January 2008-	1 Ocak 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 year of accident	414.689.427	30.616.586	39.529.462	44.807.385	34.380.691	26.585.381	15.443.050	606.051.982
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 year later	956.053.973	101.002.015	59.140.925	65.506.828	34.013.571	-	-	1.215.717.312
3 year later	765.770.012	108.011.472	59.613.148	32.762.230	-	-	-	966.156.862
4 year later	941.209.212	132.283.665	46.887.307	-	-	-	-	1.120.380.184
5 year later	1.115.849.060	153.581.336	-	-	-	-	-	1.269.430.396
6 year later	874.284.455	-	-	-	-	-	-	874.284.455
Total gross claim realized	5.620.798.731	589.652.517	274.248.187	205.255.135	131.204.533	51.083.110	15.443.050	6.887.685.263

### Gross claim development table for the date December 31, 2009, prepared in accordance with the regulations effective from December 31, 2010:

Accident year	1 January 2003-	1 January 2004-	1 January 2005-	1 January 2006-	1 January 2007-	1 January 2008-	1 January 2009-	Gross Claim
	31 December 2003	31 December 2004	31 December 2005	31 December 2006	31 December 2007	31 December 2008	31 December 2009	
Claim realized in the year of accident	409.041.766	37.718.297	22.615.642	17.641.167	21.952.838	20.269.236	11.303.257	540.542.203
1 year later	429.191.890	35.141.607	39.940.471	45.588.371	34.612.945	15.278.548	-	599.753.832
2 year later	579.239.990	68.535.030	70.977.441	64.109.049	44.492.538	-	-	827.354.048
3 year later	1.006.981.427	104.311.188	60.373.913	34.776.649	-	-	-	1.206.443.177
4 year later	822.720.407	109.660.934	35.932.245	-	-	-	-	968.313.586
5 year later	1.012.860.681	84.260.426	-	-	-	-	-	1.097.121.107
6 year later	1.014.521.653	-	-	-	-	-	-	1.014.521.653
Total gross claim realized	5.274.557.814	439.627.482	229.839.712	162.115.236	101.058.321	35.547.784	11.303.257	6.254.049.606

## **AKSIGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

The Company has clean-cut agreements in relation to its car-accident branch, and premium and loss portfolio withdrawals related to these agreements are recognized by the Company as of 31 December 2009. In accordance with these agreements, portfolio additions are also recognized in 2011. The reinsurance share of outstanding claim reserve and unearned premium reserve have been affected from these portfolio additions in 2010.

## **4.2 Financial Risk**

### **4.2.1 Capital risk management and capital requirement**

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

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on 19 January 2008. As a result of the Company's capital adequacy calculation, it is TL 142.127.671 higher than required capital adequacy.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.1 Capital risk management and capital requirement (cont'd)**

Capital Adequacy Summary	31 December 2010	31 December 2009
1. According to Premium Base	102.837.144	101.580.563
2. According to Claim Base	103.286.593	99.918.013
<b>I. Required Capital for the Non-Life Branches</b>	<b>103.286.593</b>	<b>101.580.563</b>
1. Relating to Liability Result	176.216	231.568
2. Relating to Risk Result	17.881	16.923
<b>II. Required Capital for the Life Branch</b>	<b>194.097</b>	<b>248.491</b>
<b>III. Required Capital for the Retirement Branch</b>	<b>-</b>	<b>-</b>
<b>Required Capital Based on the First Method</b>	<b>103.480.690</b>	<b>101.829.054</b>
Asset Risk	100.679.753	542.158.693
Reinsurance Risk	17.702.158	20.343.916
Outstanding Claims Risk	18.084.288	16.988.036
Underwriting Risk	102.290.543	88.776.271
Exchange Rate Risk	1.604.081	4.670.767
<b>Required Capital Based on the Second Method</b>	<b>240.360.823</b>	<b>672.937.683</b>
<b>Required Capital Amount for the Company</b>	<b>240.360.823</b>	<b>672.937.683</b>
Capital (*)	382.488.494	2.675.997.630
Amount of Associates Deducted from Capital	-	17.828.774
<b>Capital Adequacy Result</b>	<b>142.127.671</b>	<b>1.985.231.173</b>

(\*) Total equity includes TL 10.844.089 of equalization reserve (31 December 2009: TL 6.974.825).

## AKSİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

#### 4.2.2 Financial risk factors

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

##### Market risk

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

##### Exchange rate risk

The Company's foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of 31 December 2010 are presented in details in Note 12.4.

##### Sensitivity to exchange rate risk

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

	31 December 2010		31 December 2009	
	USD	EUR	USD	EUR
	Effect	Effect	Effect	Effect
Profit/Loss (increase)	1.464.840	678.157	681.817	2.700.122
Profit/Loss (decrease)	(1.464.840)	(678.157)	(681.817)	(2.700.122)

##### Interest rate risk

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

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.2 Financial risk factors (cont'd)****Interest rate risk (cont'd)**

	31 December 2010	31 December 2009
<b>Total</b>	<b>Effect on profit and profit reserves</b>	
<b>Market interest rate increase / (decrease)</b>	<b>TL</b>	<b>TL</b>
+%5	(1.766.088)	(2.629.029)
-%5	1.992.565	2.893.766
<b>Financial assets held for trading (shareholder)</b>	<b>Effect on profit</b>	
<b>Market interest rate increase / (decrease)</b>	<b>TL</b>	<b>TL</b>
+%5	(1.403.290)	(455.139)
-%5	1.589.009	541.307
+%5 Investments with risks on policy holders	(362.798)	-
-%5 Investments with risks on policy holders	403.556	-
<b>Financial assets available for sale</b>	<b>Effects on profit and profit reserves</b>	
<b>Market interest rate increase / (decrease)</b>	<b>TL</b>	<b>TL</b>
+%5 Investments with risks on policy holders	-	(12.973)
+%5 Financial assets available for sale	-	(2.160.917)
-%5 Investments with risks on policy holders	-	13.617
-%5 Financial assets available for sale	-	2.338.842

**Price risk**

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

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected. As of December 31, 2010, the Company does not hold any assets available for sale and thus there are not any effects on equity (On December 31, 2010 the Company's equity would be increased/decreased by TL 172.091.200).

**Credit risk**

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

As of December 31, 2010, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.2 Financial risk factors (cont'd)****Liquidity risk**

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

**Liquidity risk table****31 December 2010**

	Up to 1 month	1-3months	3 months-1year	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							
Life 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 Currency 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
<b>Total Assets</b>	<b>182.658.556</b>	<b>342.886.828</b>	<b>217.100.141</b>	<b>209.948.053</b>	<b>12.566</b>	<b>80.744.494</b>	<b>1.033.350.638</b>
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
Shareholder's Equity	-	-	-	-	-	371.644.405	371.644.405
<b>Total Liabilities and</b>							
<b>Shareholder's Equity</b>	<b>126.178.986</b>	<b>229.794.380</b>	<b>257.841.039</b>	<b>34.818.513</b>	<b>10.905.327</b>	<b>373.812.393</b>	<b>1.033.350.638</b>
<b>Liquidity Gap</b>	<b>56.479.570</b>	<b>113.092.448</b>	<b>(40.740.898)</b>	<b>175.129.540</b>	<b>(10.892.761)</b>	<b>(293.067.899)</b>	<b>-</b>



**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.2 Financial risk factors (cont'd)**

**Liquidity risk table**

31 December 2009	Up to 1 month	1-3 months	3 months-1year	1-5 years	5 years and over	No Maturity	Total
Cash and Cash Equivalents	52.653.785	234.805.074	-	-	-	239.966	287.698.825
Financial Assets Available for Sale	997.530	51.386.400	92.931.467	-	-	4.186.769	149.502.166
Financial Assets Heldfor Trading	-	-	4.193.016	48.848.305	-	-	53.041.321
Investments with Risks on							
Life Policy Holders	7.980.800	-	-	-	-	-	7.980.800
Receivables from Main Opeations	121.595.180	104.172.102	132.282.890	137.521	-	-	358.187.693
Due from Related Parties	-	-	44.016	-	-	-	44.016
Other Receivables	-	8.446.673	-	-	-	-	8.446.673
Prepaid Expenses and Income							
Accruals	8.957.281	15.250.750	33.639.071	371.242	46	-	58.218.390
Other Current Assets	-	-	6.642.769	-	-	2.268.702.584	2.275.345.353
Financial Assets	-	-	-	-	-	30.116.653	30.116.653
Tangible Fixed Assets	-	-	-	-	-	43.509.939	43.509.939
Maddi Olmayan Duran Varlıklar	-	-	-	-	-	7.930.683	7.930.683
Prepaid Expenses and Income							
Accruals	-	-	-	45.709	-	-	45.709
<b>Toplam Assets</b>	<b>192.184.576</b>	<b>414.060.999</b>	<b>269.733.229</b>	<b>49.402.777</b>	<b>46</b>	<b>2.354.686.594</b>	<b>3.280.068.221</b>
Payables from Main Operations	-	-	69.636.459	-	-	-	69.636.459
Due to Related Parties	488.852	-	152.148	-	-	-	641.000
Other Payables	-	14.810.198	-	-	-	-	14.810.198
Insurance Technical Rserve	118.588.681	171.961.259	170.789.740	13.585.557	224	-	474.925.461
Taxes and Other Laibilities and Relevant Provisions	-	4.583.905	-	-	-	-	4.583.905
Deferred Income and Expense							
Accruals	3.130.182	15.030.790	11.755.398	129.733	16	-	30.046.119
Long Term Insurance							
Technical Reserves	-	-	-	5.952.886	6.974.825	-	12.927.711
Provisions for Other Risks	-	-	-	-	-	1.971.587	1.971.587
Other Long Term Liabilities	-	-	-	-	-	1.502.976	1.502.976
Shareholder's Equity	-	-	-	-	-	2.669.022.805	2.669.022.805
<b>Total Liabilities and Shareholder's Equity</b>	<b>122.207.715</b>	<b>206.386.152</b>	<b>252.333.745</b>	<b>19.668.176</b>	<b>6.975.065</b>	<b>2.672.497.368</b>	<b>3.280.068.221</b>
<b>Liquidity Gap</b>	<b>69.976.861</b>	<b>207.674.847</b>	<b>17.399.484</b>	<b>29.734.601</b>	<b>(6.975.019)</b>	<b>(317.810.774)</b>	<b>-</b>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.2 Financial risk factors (cont'd)****Categories of Financial Assets**

	31 December 2010		31 December 2009	
<u>Current Financial Assets</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets Available for Sale (*)	130.566	130.566	149.502.166	149.502.166
Financial Assets Held for Trading	220.741.421	220.741.421	53.041.321	53.041.321
Investments with Risks on Life Policy Holders	7.229.910	7.229.910	7.980.800	7.980.800
<u>Non-Current Financial Assets</u>				
Affiliates	30.116.653	30.116.653	30.116.653	30.116.653
<u>Total Financial Assets</u>	<u>258.218.550</u>	<u>258.218.550</u>	<u>240.640.940</u>	<u>240.640.940</u>

(\*) Net value less impairment.

**Fair value of financial assets**

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

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

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

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4.2.2 Financial risk factors (cont'd)****Fair value of financial assets (cont'd)**

Fair values of financial assets and level classifications

	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 Life Policy Holders	7.229.910	7.229.910	-	-
Affiliates (*)	30.116.653	-	-	-
<b>Total</b>	<b>258.218.550</b>	<b>228.101.897</b>	<b>-</b>	<b>-</b>

Fair values of financial assets and level classifications

	31 December 2009	Category 1	Category 2	Category 3
Financial Assets Held for Trading	53.041.321	53.041.321	-	-
Government Bonds & Treasury Bills	53.041.321	53.041.321	-	-
Financial Assets Available for Sale	149.502.166	145.855.500	3.646.666	-
Government Bonds & Treasury Bills	145.315.397	145.315.397	-	-
Listed Equity Shares	540.103	540.103	-	-
Unlisted Equity Shares	3.646.666	-	3.646.666	-
Financial Investments with Risks on Life Policy Holders	7.980.800	7.980.800	-	-
Affiliates (*)	30.116.653	-	-	-
<b>Total</b>	<b>240.640.940</b>	<b>206.877.621</b>	<b>3.646.666</b>	<b>-</b>

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

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

**Financial assets:**

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

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

**Financial liabilities:**

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

**5 Segment information****5.1 Operating segments**

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

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**5.1 Segment information(cont'd)**

**Segment results for the year ended 31 December 2010:**

	Motor vehicles		Motor vehicles	Other Accident Engineering			Agriculture	Health	Life	Undistributed	Total
	Fire an natural forces	Transportation	Liability (Traffic)								
<b>TECHNICAL INCOME</b>	<b>62.586.868</b>	<b>12.074.472</b>	<b>260.841.635</b>	<b>136.624.170</b>	<b>54.837.666</b>	<b>15.004.680</b>	<b>5.424.221</b>	<b>130.747.474</b>	<b>1.173.347</b>	-	<b>679.314.533</b>
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 Reinsurer 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
<b>TECHNICAL EXPENSE</b>	<b>(47.562.808)</b>	<b>(7.263.570)</b>	<b>(249.635.133)</b>	<b>(151.590.850)</b>	<b>(29.069.054)</b>	<b>(15.573.044)</b>	<b>(5.992.021)</b>	<b>(149.874.482)</b>	<b>(974.502)</b>	-	<b>(657.535.464)</b>
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 Reserves Carried Forward) (+/-)	(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)
	<b>15.024.060</b>	<b>4.810.902</b>	<b>11.206.502</b>	<b>(14.966.680)</b>	<b>25.768.612</b>	<b>(568.364)</b>	<b>(567.800)</b>	<b>(19.127.008)</b>	<b>198.845</b>	-	<b>21.779.069</b>
Financial Income	-	-	-	-	-	-	-	-	-	55.934.782	55.934.782
Amortisation Expense	-	-	-	-	-	-	-	-	-	(4.060.835)	(4.060.835)
Provision Expense, net	-	-	-	-	-	-	-	-	-	(18.178.878)	(18.178.878)
Tax Expense	-	-	-	-	-	-	-	-	-	(7.476.726)	(7.476.726)
Financial Expense	-	-	-	-	-	-	-	-	-	(39.192.951)	(39.192.951)
Other	-	-	-	-	-	-	-	-	-	(7.328.451)	(7.328.451)
<b>Net Profit / (Loss)</b>	<b>15.024.060</b>	<b>4.810.902</b>	<b>11.206.502</b>	<b>(14.966.680)</b>	<b>25.768.612</b>	<b>(568.364)</b>	<b>(567.800)</b>	<b>(19.127.008)</b>	<b>198.845</b>	<b>(20.303.059)</b>	<b>1.476.010</b>

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**5.1 Segment information(cont'd)**

**Segment results for the year ended 31 December 2009:**

	Fire and natural forces		Motor vehicles		Motor vehicles		Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
	Transportation	(Kasko)	(Traffic)	Liability									
<b>TECHNICAL INCOME</b>	<b>77.374.315</b>	<b>15.035.367</b>	<b>231.431.158</b>	<b>153.662.238</b>	<b>46.846.135</b>	<b>21.611.311</b>	<b>2.595.824</b>	<b>91.247.794</b>	<b>2.039.834</b>	-	-	-	<b>641.843.976</b>
1- Earned Premiums (Net of Reinsurer Share)	49.942.479	9.774.207	213.679.553	142.289.320	27.330.177	14.007.073	2.186.233	82.168.366	298.708	-	-	-	541.676.116
1.1- Premiums (Net of Reinsurer Share)	46.125.378	9.379.756	216.790.974	133.214.009	31.829.583	12.947.918	3.030.537	94.045.314	298.183	-	-	-	547.661.652
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	3.817.101	231.819	(3.111.421)	(5.371.441)	(4.423.376)	1.059.155	(844.304)	(9.557.077)	525	-	-	-	(18.199.019)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	162.632	-	14.446.752	(76.030)	-	-	(2.319.871)	-	-	-	-	12.213.483
2- Other Technical Income (Net of Reinsurer Share)	27.431.836	5.261.160	17.751.605	11.372.918	19.515.958	7.604.238	409.591	9.079.428	1.741.126	-	-	-	100.167.860
<b>TECHNICAL EXPENSE</b>	<b>(47.900.797)</b>	<b>(6.505.463)</b>	<b>(251.838.749)</b>	<b>(156.741.430)</b>	<b>(25.324.987)</b>	<b>(19.278.662)</b>	<b>(3.702.263)</b>	<b>(112.250.624)</b>	<b>(1.734.020)</b>	-	-	-	<b>(625.276.995)</b>
1- Total Claims (Net of Reinsurer Share)	(18.006.693)	(2.401.728)	(196.612.619)	(119.498.225)	(9.330.385)	(11.137.384)	(2.813.167)	(85.159.234)	(3.039.625)	-	-	-	(447.999.060)
1.1- Claims Paid (Net of Reinsurer Share)	(17.196.220)	(1.908.078)	(202.120.592)	(121.391.137)	(4.013.381)	(11.010.808)	(2.811.851)	(79.318.648)	(3.072.290)	-	-	-	(442.843.005)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-and Reserves Carried Forward) (+/-)	(810.473)	(493.650)	5.507.973	1.892.912	(5.317.004)	(126.576)	(1.316)	(5.840.586)	32.665	-	-	-	(5.156.055)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-and Reserves Carried Forward) (+/-)	(2.229.338)	-	(1.015.857)	-	(4.822)	(144.028)	-	-	1.464.536	-	-	-	(1.929.509)
3- Operating Expenses	(27.664.766)	(4.103.735)	(54.210.273)	(37.243.205)	(15.989.780)	(7.997.250)	(889.096)	(27.091.390)	(158.931)	-	-	-	(175.348.426)
	<b>29.473.518</b>	<b>8.529.904</b>	<b>(20.407.591)</b>	<b>(3.079.192)</b>	<b>21.521.148</b>	<b>2.332.649</b>	<b>(1.106.439)</b>	<b>(21.002.830)</b>	<b>305.814</b>	-	-	-	<b>16.566.981</b>
Financial Income	-	-	-	-	-	-	-	-	-	-	-	106.502.198	106.502.198
Amortisation Expense	-	-	-	-	-	-	-	-	-	-	-	(3.491.701)	(3.491.701)
Provision Expense, net	-	-	-	-	-	-	-	-	-	-	-	(9.103.406)	(9.103.406)
Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Expense	-	-	-	-	-	-	-	-	-	-	-	(72.414.809)	(72.414.809)
Other	-	-	-	-	-	-	-	-	-	-	-	(3.093.436)	(3.093.436)
<b>Net Profit / (Loss)</b>	<b>29.473.518</b>	<b>8.529.904</b>	<b>(20.407.591)</b>	<b>(3.079.192)</b>	<b>21.521.148</b>	<b>2.332.649</b>	<b>(1.106.439)</b>	<b>(21.002.830)</b>	<b>305.814</b>	<b>18.398.846</b>	<b>18.398.846</b>	<b>18.398.846</b>	<b>34.965.827</b>

## APPENDIX I - CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

### 6. Tangible fixed assets

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
Opening balance at 1 January 2010	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
Closing balance at 31 December 2010	38.837.294	49.550	24.040.903	2.348.015	65.275.762
<u>Accumulated Depreciation</u>					
Opening balance at 1 January 2010	(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)
Closing balance at 31 December 2010	(10.530.131)	(23.726)	(17.800.470)	(2.033.686)	(30.388.013)
Net book value as of 31 December 2010	28.307.163	25.824	6.240.433	314.329	34.887.749

31 December 2009

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets ( Including Leasehold)	Total
Opening Balance at 1 January 2009	39.589.396	102.258	23.769.496	2.267.752	65.728.902
Additions	1.003	-	310.431	78.615	390.049
Disposals	(1.005.088)	(70.208)	(659.306)	-	(1.734.602)
Closing Balance at 31 December 2009	38.585.311	32.050	23.420.621	2.346.367	64.384.349
<u>Accumulated Depreciation</u>					
Opening Balance at 1 January 2009	(9.202.834)	(78.781)	(15.640.228)	(1.485.910)	(26.407.753)
Charge for the period	(776.540)	(6.410)	(1.402.441)	(335.381)	(2.520.772)
Disposals	225.825	70.208	650.368	-	946.401
Closing Balance at 31 December 2009	(9.753.549)	(14.983)	(16.392.301)	(1.821.291)	(27.982.124)
Net book value as of 31 December 2009	28.831.762	17.067	7.028.320	525.076	36.402.225

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

Impairment loss is included in the “Amortization and depreciation expense” item in the income statement.

The Company has applied the cost method.

**AKSİGORTA A.Ş.**  
**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**7. Investment Properties**

31 December 2010

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Opening balance at 1 January 2010	5.816.175	1.717.810	7.533.985
Disposals	(5.529.597)	(962.911)	(6.492.508)
Closing balance at 31 December 2010	286.578	754.899	1.041.477

**Accumulated Depreciation**

Opening balance at 1 January 2010	-	(426.271)	(426.271)
Charge for the period	-	(12.367)	(12.367)
Disposals	-	289.708	289.708
Closing balance at 31 December 2010	-	(148.930)	(148.930)
Net book value as of 31 December 2010	286.578	605.969	892.547

31 December 2009

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Opening balance at 31 December 2009	5.816.175	1.726.157	7.542.332
Additions	-	250.000	250.000
Disposals	-	(258.347)	(258.347)
Closing balance at 31 December 2009	5.816.175	1.717.810	7.533.985

**Accumulated Depreciation**

Opening balance at 31 January 2009	-	(465.629)	(465.629)
Charge for the period	-	(25.853)	(25.853)
Disposals	-	65.211	65.211
Closing balance at 31 December 2009	-	(426.271)	(426.271)

Closing balance at 31 December 2009	5.816.175	1.291.539	7.107.714
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The fair value of investment properties was determined by an independent valuation company as of 31 December 2010 and 31 December 2009. The valuation company, which is authorized by the CMB, has the necessary qualifications and experience in the valuation of the related real estate. Valuation study, which was undertaken in accordance with International Valuation Standards, is performed based on by the reference prices of similar real estate transactions in the market.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**8. Intangible Fixed Assets**

31 December 2010

<u>Cost Value</u>	<u>Rights</u>
Opening balance at 1 January 2010	10.196.503
Additions	1.559.760
<u>Closing balance at 31 December 2010</u>	<u>11.756.263</u>

**Accumulated Amortization**

Opening balance at 1 January 2010	(2.265.820)
Charge for the period	(1.646.393)
<u>Closing balance at 31 December 2010</u>	<u>(3.912.213)</u>
<u>Net book value as of 31 December 2010</u>	<u>7.844.050</u>

31 December 2009

<u>Cost Value</u>	<u>Rights</u>
Opening balance at 1 January 2009	7.797.890
Additions	2.398.613
<u>Closing balance at 31 December 2009</u>	<u>10.196.503</u>

**Accumulated Amortization**

Opening balance at 1 January 2009	(1.320.744)
Charge for the period	(945.076)
<u>Closing balance at 31 December 2009</u>	<u>(2.265.820)</u>
<u>Net book value as of 31 December 2009</u>	<u>7.930.683</u>

The Company has not recognized any impairment loss for its intangible fixed assets in the current period.

The Company has no goodwill amount in its 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 2010, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (31 December 2009: TL 30.116.653) with a 25 % of participation. Şirket'in bu iştirakin yönetiminde bir etkisi bulunmamakta ve iştirak sonucu yapılmakta olan yatırımdaki nihai oranı %12,5 olduğu için bu yatırım maliyet bedeli üzerinden taşınmaktadır.

**10. Reinsurance Assets**

Reinsurance assets are disclosed in Note 17.16.



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**11. Financial Assets****11.1 Subcategories of Financial Assets**

	31 December 2010	31 December 2009
Financial Assets Available for Sale	130.566	164.684.234
Financial Assets Held for Trading	220.741.421	53.041.321
Financial Investments with Risks on Life Policy Holders	7.229.910	7.980.800
<u>Diminution in Value of Financial Securities (-)</u>	<u>-</u>	<u>(15.182.068)</u>
<b>Total</b>	<b>228.101.897</b>	<b>210.524.287</b>

## Financial Assets Available for Sale

	31 December 2010			31 December 2009		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	-	-	-	141.839.311	145.315.397	145.315.397
Equity Shares (Listed)	-	-	-	1.185.963	540.103	540.103
Equity Shares (Unlisted)	130.566	-	130.566	3.646.666	-	3.646.666
<b>Total (*)</b>	<b>130.566</b>	<b>-</b>	<b>130.566</b>	<b>146.671.940</b>	<b>145.855.500</b>	<b>149.502.166</b>

## Financial Investments with Risks on Life Policy Holders

	31 December 2010			31 December 2009		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	6.935.943	7.229.910	7.229.910	7.303.280	7.980.800	7.980.800

(\*) Book value as of 31 December 2009 is calculated by offsetting the provision for the impairment in financial assets, amounting to TL 15.182.068.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**11.1 Subcategories of Financial Assets (cont'd)**

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

31 December 2010

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

31 December 2009

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Yünsa Yünlü Sanayi ve Ticaret A.Ş.	1,49	1.185.963	540.103	540.103
Listed		1.185.963	540.103	540.103
Akyatırım Menkul Değerler A.Ş.	0,02	12.505	-	12.505
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	2,57	18.681.633	-	18.681.633
Tursa değer düşüklüğü		(15.182.068)	-	(15.182.068)
Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret Ak Finansal Kiralama A.Ş.	0,02 0,01	541 3.490	- -	541 3.490
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	130.566	-	130.566
Unlisted		3.646.667	-	3.646.667
<b>Total</b>		<b>4.832.630</b>	<b>540.103</b>	<b>4.186.770</b>

31 December 2010

	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	218.053.824	220.741.389	220.741.389
<b>Total</b>	<b>218.053.824</b>	<b>220.741.421</b>	<b>220.741.421</b>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**11.1 Subcategories of Financial Assets (cont'd)**

On 30 September 2010, all shares of Akyatırım Menkul Değerler A.Ş., Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş., Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş., Ak Finansal Kiralama A.Ş. and partial shares of Yünsa Yünlü Sanayi ve Ticaret A.Ş. has been disposed along with sale of remaining shares of Yünsa Yünlü Sanayi ve Ticaret A.Ş. on 21 July 2010.

31 December 2009

	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	50.243.645	53.024.595	53.024.595
Investment Funds	16.591	16.726	16.726
<b>Toplam</b>	<b>50.260.236</b>	<b>53.041.321</b>	<b>53.041.321</b>

On 2 March 2010, shares of Temsa Global Sanayi ve Ticaret A.Ş. has been disposed.

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

None (31 December 2009: None).

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

None (31 December 2009: None).

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

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

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

**Affiliates****Equity Shares**

(Unlisted)

	31 December 2010			31 December 2009		
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653

## AKSİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

#### **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 2009: None).

#### **11.6 Value increases of financial assets in the last three years**

Type of Financial Asset	31 December 2010	31 December 2009	31 December 2008
Financial Assets Available for Sale	-	1.734.945.658	843.876.544

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

#### **11.7 Financial Instrument**

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

#### **11.8. Financial Instruments**

The Company does not apply any hedge accounting.

#### **11.9 Effects of Exchange Rate Differences**

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

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**12. Receivables and Payables****12.1 Details of the Company's receivables**

	31 December 2010	31 December 2009
Receivables from insurance operations	372.922.655	357.067.590
Receivables from policy holders	9.194	11.770
Receivables from agencies	321.655.019	304.696.094
Receivables from insurers and reinsurers	40.697.169	45.346.940
Claim recovery receivables (Note 2.1.1)	32.342.158	26.696.396
Claim recovery provision (-) (Note 2.1.1)	(20.113.801)	(17.504.979)
Other receivables	170.627	126.804
Insurance operations provision discount (-)	(1.837.711)	(2.305.435)
Insurance operations receivables provision (-)	(3.283.354)	(4.775.043)
Doubtful receivables from main operations	43.775.432	41.010.171
Provision for doubtful receivables from operating and insurance operations (-)	(38.061.903)	(35.146.519)
Other	30.954	31.494
<b>Total</b>	<b>375.383.784</b>	<b>358.187.693</b>

Aging of receivables from insurance operations is as follows:

	31 December 2010	31 December 2009
0-60 days	8.264.269	43.805.624
61-90 days	1.465.607	6.060.071
90+	5.954.501	16.974.566
<b>Not due receivables</b>	<b>357.238.278</b>	<b>290.227.329</b>
<b>Total</b>	<b>372.922.655</b>	<b>357.067.590</b>

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

Type of Guarantee	31 December 2010		31 December 2009	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	23.044.194	-	22.329.209	10.000
Real Estate Pledges	77.136.853	7.386.197	82.198.246	7.827.947
Government Bonds&Equity Shares	79.090	-	837.069	-
Other	743.540	-	253.742	-
<b>Total</b>	<b>101.003.677</b>	<b>7.386.197</b>	<b>105.618.266</b>	<b>7.837.947</b>

The Company provides full provision for unguaranteed amounts in relation to its doubtful receivables. The movement of provision for doubtful receivables is presented as follows:

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**12.1 Details of the Company's Receivables**

	31 December 2010	31 December 2009
Opening Balance	(35.146.519)	(16.702.574)
Charge for the period	(10.137.215)	(8.561.089)
Receivables written off from the assets in the previous Periods	-	(11.344.993)
Collections	7.221.831	1.462.137
<b>Closing Balance</b>	<b>(38.061.903)</b>	<b>(35.146.519)</b>

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

	31 December 2010	31 December 2009
0-30 days	102.265	1.012.812
31-60 days	20.113.802	18.676.114
61-90 days	13.023	337.016
Over 90 days (*)	23.546.342	20.984.229
<b>Total</b>	<b>43.775.432</b>	<b>41.010.171</b>

(\*) The receivable (TL 11.334.993) written off from the assets in the previous periods related to evidence of insolvency documents taken from the non solvent agencies reentered to doubtful receivables from main operations and insurance operations and provisions for doubtful receivables from operating and insurance operations accounts. This amount stated under the receivables written off from the assets in the previous periods account in the provision for doubtful receivables, while stated under receivables due over 90 days in aging of overdue and doubtful receivables.

**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 unclaimed dividend payments attributable to prior periods (31 December 2009: TL 173.223).

**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 108.389.874 (31 December 2009: TL 122.335.932).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

31 December 2010			
	Foreign Currency Amount	Exchange Rate Central Bank Bid Rate	Amount (TL)
<b>Banks (FC)</b>			
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>
<b>Receivables from Insurance Operations</b>			
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>
<b>Outstanding Claim Reserves</b>			
USD	(983.799)	1,5376	(1.512.689)
EUR	(551.778)	2,0551	(1.133.959)
Total			<u>(2.646.648)</u>
<b>Payables from Insuracen Operations</b>			
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>
<b>Net Foreign Currency Position</b>			<u>21.387.744</u>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below (cont'd)**

31 December 2009

	Foreign Currency Amount	Exchange Rate Central Bank Bid Rate	Amount (TL)
Banks (FC)			
USD	1.714.087	1,5057	2.580.901
EURO	2.933.531	2,1603	6.337.307
GBP	28.352	2,3892	67.739
JPY	293.609	0,0163	4.786
CHF	253	1,4492	367
Total			<u>8.991.100</u>
Receivables from Insurance Operations	Foreign Currency Amount	Exchange Rate Central Bank Bid Rate	Amount (TL)
USD	4.587.491	1,5057	6.907.340
EURO	10.532.618	2,1603	22.753.615
GBP	1.548	2,3892	3.698
JPY	5.507.853	0,0163	89.789
CHF	363	1,4492	526
Other			9.506
Total			<u>29.764.474</u>
Outstanding Claims Reserves	Foreign Currency Amount	Exchange Rate Central Bank Bid Rate	Amount (TL)
USD	(1.342.130)	1,5057	(2.020.845)
EURO	(967.321)	2,1603	(2.089.704)
Other			(9.798)
Total			<u>(4.120.347)</u>
Payables from Insurance Operations	Foreign Currency Amount	Exchange Rate Central Bank Bid Rate	Amount (TL)
USD	(431.179)	1,5057	(649.226)
Total			<u>(649.226)</u>
<b>Net Foreign Currency Position</b>			<u><u>33.986.001</u></u>



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**13. Derivative Financial Instruments**

As of 31 December 2010 and 31 December 2009, the Company has no derivative financial instruments.

**14. Cash and Cash Equivalents**

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash	-	646
Cash at Banks	276.266.700	292.634.119
Demand deposits	-	106.571.930
Cheques given and payment orders (-)	-	(4.935.940)
Other cash and cash equivalents	-	21.348.962
<b>Total</b>	<b>276.266.700</b>	<b>415.619.717</b>
Interest accruals on cash and cash equivalents (-)	<u>(2.080.469)</u>	<u>(513.858)</u>
Cash flow based grand total	<u>274.186.231</u>	<u>415.105.859</u>
Blocked deposits	<u>9.940.715</u>	<u>9.314.193</u>

**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 2010 and 31 December 2009 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 2009: 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 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**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 2009: TL 0,01 per share).

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

	Number of Shares	
	31 December 2010	31 December 2009
Beginning of the period, 1 January 2010	30.600.000.000	30.600.000.000
Issued in the current period	-	-
End of the period, 31 December 2010	<u>30.600.000.000</u>	<u>30.600.000.000</u>

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

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

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

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 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 2009: None).

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

None (31 December 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**15.4 Share based payments**

None (31 December 2009: None).

**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 2010</u>	<u>31 December 2009</u>
Valuation difference of available for sale financial assets	-	1.735.022.207
Effect of Deferred Tax	-	(76.549)
Total	<u>-</u>	<u>1.734.945.658</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 2009: None).

**16.3 Hedging for forecasted transactions and net investment hedging**

None (31 December 2009: None).

**16.4 Hedging against financial risks**

None (31 December 2009: 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>2010</u>	<u>2009</u>
	<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
Beginning of period, 1 January	1.734.945.658	843.876.544
Increase/decrease in value recorded in shareholders' equity in the current period	<u>(1.734.945.658)</u>	<u>891.069.114</u>
End of Period, 31 December	<u>-</u>	<u>1.734.945.658</u>

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

None (31 December 2009: None).

**16.7 Revaluation increases in tangible fixed assets**

None (31 December 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

None (31 December 2009: 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 2010		31 December 2009		
	Amount to be Provided	Current Blockage	Amount to be Provided (*)	Amount to be Provided (**)	Current Blockage
	TL	TL	TL	TL	TL
Life	8.527.084	9.303.656	9.668.694	9.668.694	10.147.210
Government Bonds		7.128.645			8.090.173
Time Deposits		2.175.011			2.057.037
Non-Life	85.887.920	103.603.780	224.312.561	80.948.236	173.883.142
Government Bonds		95.838.076			166.542.799
Time Deposits		7.765.704			7.340.343
<b>Total</b>	<b>94.415.004</b>	<b>112.907.436</b>	<b>233.981.255</b>	<b>90.616.930</b>	<b>184.030.352</b>

(\*) Guarantees to be provided for T.C. Prime Ministry Undersecretariat of Treasury are calculated and presented as of 31 December 2009.

(\*\*) The Company recalculated the guarantees provided in accordance with the Company's changed assets related to the spinoff process, and the Company applied to T.C. Prime Ministry Undersecretariat of Treasury to provide guarantees and retract the exceeding guarantees at recalculated values. As of the balance sheet date, there is no response to this application.

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

	2010		2009	
	Mathematical Reserves		Mathematical Reserves	
	Unit	TL	Unit	TL
Beginning of period - 1 January	759	5.939.459	1.114	7.403.994
Additions in current period	-	444.560	-	1.180.942
Disposals in current period	(222)	(1.855.902)	(355)	(2.645.477)
End of period- 31 January	537	4.528.117	759	5.939.459

Available for sale financial assets of which their risks are on policyholders are carried at fair value as explained in Note 11. There are no the difference between fair value and amortized cost as of 31 December 2010 (31 December 2009: TL 13.427 This amount is recognized under the Life Mathematical Reserves account. However, the related amount is not included in the above table.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

Branch	31 December 2010	31 December 2009
	Amount	Amount
Motor Vehicles Liability	1.413.940.913.099	1.531.288.005.330
Fire and natural forces	86.252.975.464	74.301.183.801
General Losses	53.465.383.541	42.959.574.575
Transportation	44.282.883.713	64.342.927.464
Accident	40.995.350.874	35.493.512.031
Motor Vehicles	14.450.872.195	12.390.404.062
General Liability	8.231.505.830	8.784.437.734
Legal Protection	6.486.681.475	5.828.622.992
Financial Liability	5.980.302.373	3.752.359.154
Air Vehicles Liability	3.954.567.545	1.313.273.526
Air Vehicles	579.774.229	361.383.044
Sickness\Health	528.079.499	426.041.966
Water Vehicles	477.909.890	552.601.851
Credit	380.987.189	-
Breach of Trust	241.862.855	219.656.796
Life	11.554.716	17.232.859
<b>Total</b>	<b>1.680.261.604.487</b>	<b>1.782.031.217.185</b>

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

None (31 December 2009: None).

**17.5 Number and amount of participation certificates in portfolio and circulation**

None (31 December 2009: None).

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

None (31 December 2009: None).

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

None (31 December 2009: None).

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

None (31 December 2009: 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 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**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 2009: 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 2009: None).

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

None (31 December 2009: None).

**17.13 Dönem içinde portföyden ayrılan hayat sigortalıların adet ile brüt ve net prim tutarları matematik karşılıklarının tutarlarının ferdi ve şirket olarak dağılımları**

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 2010 Profit Share Distribution Rate (%)	1 January - 31 December 2010 Profit Share Distribution Rate (%)
TL (Life Insurance)	7,48%	15,11%

**17.15 Explanation of information that describes amounts arose from insurance agreements**

None (31 December 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

## Reinsurance Assets

	31 December 2010	31 December 2009
Receiveables from reinsurance companies	40.697.168	45.346.940
Cash deposits in reinsurance companies	30.954	31.494
Reinsurer share of unearned premiums reserve	130.787.189	139.609.727
Reinsurance Share of Outstanding Claims Reserve	97.092.210	130.493.252
Reinsurance Share of Unexpired Risks Reserve	2.089.278	11.753.856
<b>Total</b>	<b>270.696.799</b>	<b>327.235.269</b>

## Reinsurance Liabilities

	31 December 2010	31 December 2009
Payables from Insurance Operations	(60.547.066)	(69.629.307)
Payables to Agencies	(23.642.900)	(27.355.298)
Payables rediscount from Insurance Operations	63.419	374.243
Payables to Insurance and Reinsurance Companies	(36.967.585)	(42.648.252)
Cash Deposited by Reinsurance Companies	-	(7.152)
<b>Total</b>	<b>(60.547.066)</b>	<b>(69.636.459)</b>

## Reinsurance Agreements Income/Expense

	31 December 2010	31 December 2009
Premiums Ceded to Reinsurers (-)	(251.255.581)	(303.509.319)
Comissions Received	41.666.750	43.127.135
Unearned Premiums Reserves Reinsurers' Share	130.787.189	139.609.727
Ceded Unearned Premiums Reserve		
Reinsurers Share (-)	(137.873.388)	(117.538.875)
Unexpired Risks Reserve Reinsurers' Share	2.089.278	11.753.856
Ceded Unexpired Risks Reserve		
Reinsurers' Share (-)	(11.753.856)	(7.633.860)
Outstanding Claims Reserves Reinsurers' Share	97.092.210	130.493.252
Ceded Outstanding Claims Reserves		
Reinsurers' Share (-)	(133.680.166)	(116.057.133)
Paid Claims Reinsurers' Share	153.605.659	175.346.984
<b>Total</b>	<b>(109.321.905)</b>	<b>(44.408.233)</b>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

Branch	31 December 2010				31 Aralık 2009	
	Ceded Premiums	Technical		Ceded Premiums	Technical	
Reserves Reinsurers' Share		Paid Claims Reinsurers' Share	Reserves Reinsurers' Share		Paid Claims Reinsurers' Share	
Fire and natural forces	(95.839.895)	(34.355.274)	35.369.145	(101.815.283)	49.113.947	20.246.425
Motor Vehicles	(41.420.469)	(377.598)	38.480.856	(46.717.760)	(13.343.046)	46.151.117
General Losses	(33.935.909)	(3.619.934)	21.002.554	(64.095.994)	12.682.771	21.462.859
Motor Vehicles Liability	(22.194.984)	6.110.678	20.182.954	(27.355.429)	(19.626.029)	24.942.482
Financial Losses	(22.194.774)	7.216.373	2.057.201	(7.850.265)	129.759	1.298.161
General Liability	(8.626.571)	(4.581.079)	3.133.134	(9.922.723)	2.699.707	2.309.411
Transportation	(6.939.938)	(4.487.188)	6.996.199	(8.423.738)	2.419.039	7.161.971
Sickness\Health	(4.791.697)	(12.757.758)	15.545.130	(23.085.348)	(3.501.322)	32.505.824
Air Vehicles Liability	(4.300.421)	(861.245)	175.587	(2.751.374)	2.744.241	2.075.635
Accident	(3.045.745)	788.835	782.677	(2.435.768)	(654.660)	1.519.769
Air Vehicles	(2.763.054)	(9.779.992)	733.974	(4.285.903)	10.520.821	12.763.209
Water Vehicles	(2.099.975)	1.727.301	9.286.162	(2.657.188)	(800.499)	533.465
Breach of Trust	(1.635.677)	11.991	148.906	(1.550.685)	1.218.426	36.293
Credit	(897.838)	(613.196)	(296.313)	-	(807.968)	2.285.262
Legal Protection	(502.354)	2.238.187	7.493	(447.415)	(2.159.893)	3.501
Life	(66.280)	1.166	-	(114.446)	(8.327)	51.600
<b>Total</b>	<b>(251.255.581)</b>	<b>(53.338.733)</b>	<b>153.605.659</b>	<b>(303.509.319)</b>	<b>40.626.967</b>	<b>175.346.984</b>

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

**17.17 Comparison of incurred claims with past estimations**

Disclosed in Note 4.1.2.3.

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

Disclosed in Note 4.1.2.4.



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

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

	2010	
	<u>Insurance Payables</u>	<u>Reinsurance Assets</u>
Beginning of the period	(69.629.307)	327.235.269
Movement in the current period	<u>9.082.241</u>	<u>(56.538.470)</u>
End of the period	<u>(60.547.066)</u>	<u>270.696.799</u>

  

	2009	
	<u>Insurance Payables</u>	<u>Reinsurance Assets</u>
Beginning of the period	(33.814.036)	302.479.566
Movement in the current period	<u>(35.815.271)</u>	<u>24.755.703</u>
End of the period	<u>(69.629.307)</u>	<u>327.235.269</u>

**18. Investment Contract Liabilities**

Disclosed in Note 17.2.

**19. Trade and Other Payables, Deferred Income****19.1 Sub-classifications of presented items in line with the Company's operations**

	<u>31 December 2010</u>	<u>31 December 2009</u>
Payables due to insurance operations	60.547.066	69.629.307
Other deferred income and expense accruals	43.370.723	30.046.119
Cash deposited by insurance and reinsurance companies	-	7.152
Due to related parties	820.184	641.000
Other Payables	<u>27.998.579</u>	<u>19.394.103</u>
	<u>132.736.552</u>	<u>119.717.681</u>

**19.2 Related Parties**

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

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**20. Payables**

<u>Insurance Technical Reserves</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Unearned Premiums Reserve - Net (*)	306.037.195	275.614.108
Unexpired Risks Reserve- Net	280.668	2.395.901
Outstanding Claims Reserve -Net (**)	205.111.623	196.915.452
Life Mathematical Reserve - Net	3.149.961	3.689.389
Provision for Policies Investment Risk of Life		
Insurance Policyholders – Net	1.378.156	2.263.497
<u>Equalization Reserve- Net</u>	<u>10.844.089</u>	<u>6.974.825</u>
<u>Total</u>	<u>526.801.692</u>	<u>487.853.172</u>

(\*) While calculating the income statement effect of the provisions for unearned premiums, TL 9,056,070, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off.

(\*\*) In the calculation of income statement effect of provisions for outstanding claims, the estimated recourse and salvage income amounting to TL 14,032,833, recorded by deducting from the provisions for outstanding claims as of 31 December 2009 as per Circular No. 2010/16, dated 18 October 2010, has been taken into account, recording it as a transfer to current account. In addition, the Company has clean-cut agreements in the motor-accident branch, and based on these agreements it has performed the 2009 premium and claim portfolio withdrawals as of 31 December 2009. According to the same agreement, portfolio entries were made in 2010. TL 1,369,042, 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 Social Security Institution (“SSI”) as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers’ order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on 2 November 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on 22 March 2007 as effective from the date of publishment in the Official Gazette no: 26479 on 31 March 2007.

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.

## **AKSİGORTA A.Ş.**

### **CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

#### **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 2.517,01 for each period of service as of 31 December 2010 (31 December 2009: TL 2.365,16).

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 2010 and 31 December 2009, 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 2.623,23 effective from 1 January 2010 has been taken into consideration in calculation of provision from employment termination benefits (As of 1 January 2010, the ceiling on severance pay is TL 2.427,04 per month).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**22. Retirement and Welfare Liabilities**

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

	2010	2009
Beginning of Period - 1 January	1.971.587	1.944.976
Service Cost	995.209	691.474
Interest Cost	116.640	121.792
Retirement Payment	(915.683)	(786.655)
End of Period - 31 December	<u>2.167.753</u>	<u>1.971.587</u>

**23. Other Liabilities and Expense Accruals****23.1 Provisions related to employee benefits and others**

	2010		2009	
	Unused vacation provisions	Social security premiums payable	Unused vacation provisions	Social security premiums payable
1 January	1.854.519	721.420	1.838.324	649.684
Movements in period	295.875	28.463	16.195	71.736
31 December	<u>2.150.394</u>	<u>749.883</u>	<u>1.854.519</u>	<u>721.420</u>

**23.2 Off-balance sheet commitments**

Company' s statement of pledges and commitments as of 31 December 2010 and 2009 are presented below

	31 December 2010		31 December 2009	
	Original Currency	Amount TL	Original Currency	Amount TL
Commitments, Pledges Given by the Company				
A Total commitment and pledge amount given on behalf of Company' s legal entity	-	-	-	-
B. Total amount of commitments and pledges given in favor of joint ventures that included in complete consolidation	-	-	-	-
C. Total amount of Collateral, Pledges and Mortgages provided by third parties against their debt for the purpose of performance of ordinary commercial activities		1.400.880		5.946.721
	TL	1.342.302	TL	5.811.524
	USD	38.097	USD	89.790
		<u>872.608</u>		<u>907.013</u>
D. Total amount of other commitments and pledges given				
i. Total amount of commitments and pledges given in favor of joint ventures	-	-	-	-
ii. Total amount of commitments and pledges given in favor of group companies that are not included in clauses B and C.	-	-	-	-
iii. Total amount of commitments and pledges given in favor of third parties that are not included in clause C	-	872.608	-	907.013
	TL	863.521	TL	898.162
	USD	5.910	USD	8.851
Toplam		<u>2.273.488</u>		<u>6.853.734</u>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**23.3 Provisions, Contingents Assets and Liabilities**

Contingent Liabilities	31 December 2010	31 December 2009
Outstanding Claims under Litigation	88.050.383	87.570.869
Total	88.050.383	87.570.869

  

	31 December 2010	31 December 2009
Claims Recovery Litigation	30.022.897	29.251.035
Trade Receivables Under Litigation and Execution	11.931.992	11.862.188
Total	41.954.889	41.113.223

**24. Net Insurance Premium Revenue**

Non-Life	1 January- 31 December 2010	1 January- 31 December 2009
Motor Vehicles	266.831.280	216.790.974
Sickness/Health	132.942.714	94.045.315
Motor Vehicles Liability	119.316.804	22.193.457
Fire and natural forces	45.009.191	9.059.412
General Losses	30.362.623	45.811.857
Accident	17.083.359	16.870.193
Transportation	9.284.109	320.343
General Liability	5.780.716	133.214.009
Legal Protection	4.522.072	4.553.388
Financial Losses	3.303.356	411.333
Water Vehicles	287.856	1
Breach of Trust	102.780	66.426
Credit	8.706	4.026.740
Air Vehicles Liability	24	20
Total non - life branches	634.835.590	547.363.468
Life	195.070	298.184
Total	635.030.660	547.661.652

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

**25. Fee Income**

None (31 December 2009:None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**26. Investment Income/(Expense)**

	1 January- 31 December 2010	1 January- 31 December 2009
Financial Assets held-for-trading		
Interest Income	171	27.465
Repo Income	188.970	1.337.445
Total	189.141	1.364.910
	1 Ocak- 31 Aralık 2010	1 Ocak- 31 Aralık 2009
Financial assets available for sale		
Interest Income	46.377.034	65.119.762
Dividend Income (*)	20.185	22.066.660
Total	46.397.219	87.186.422
	1 Ocak- 31 Aralık 2010	1 Ocak- 31 Aralık 2009
(*) Dividend Income		
Akbank	-	21.845.992
Ak Yatırım	2.802	2.069
Tursa	17.383	217.449
Dönkasan	-	150
Ak Finansal Kiralama	-	1.000
Total	20.185	22.066.660

(\*) Income, which is presented under the incomes from affiliates portfolio in the previous period's financial statements, consist of the revenues from dividends obtained by the shares which are stated under the Company's available for sale financial assets portfolio.

	1 January- 31 December 2010	1 January- 31 December 2009 (*)
Investment properties		
Rent Income	231.806	217.096
Total	231.806	217.096
Grand Total	46.818.166	88.768.428

(\*) Grand Total has been formed via deducting “investment valuation loss” account from “investment expenses” account.

**27. Net Accrual Income on Financial Assets**

	1 January- 31 December 2010	1 January- 31 December 2009 (*)
Financial Assets Available for Sale		
Valuation differences recognized in shareholders' equity	-	1.735.022.207
Total	-	1.735.022.207

(\*)The effect of deferred tax that arose due to the valuation of available for sale assets is TL 76.549, the amount has been deducted from the account valuation differences which recognised in shareholders' equity.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**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 19.432.358 (31 December 2009: TL 32.770.560).

**29. Insurance Rights and Demands**

	1 January- 31 December 2010	1 January- 31 December 2009
Outstanding Claims Reserve		
Motor Vehicles	13.460.029	5.507.974
Legal Protection	3.364.949	(3.353.320)
Fire and natural forces	2.951.125	(810.473)
Water Vehicles	463.517	(120.151)
General Losses	340.556	(94.379)
Air Vehicles Liability	12.223	(12.223)
Breach of Trust	7.791	(48.369)
Financial Losses	(114.319)	38.519
General Liability	(285.688)	(1.068.342)
Transportation	(302.917)	(373.499)
Accident	(409.117)	(906.783)
Sickness/Health	(5.270.833)	(5.840.586)
Motor Vehicles Liability	(7.067.467)	1.892.912
Non-Life Total	7.149.849	(5.188.720)
Total	55.742	32.665
Total (*)	7.205.591	(5.156.055)

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

**30. Investment Agreement Rights**

None (31 December 2009: None).

**31. Mandatory Other Expenses**

Types of expenses are disclosed in Note 32.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**32. Expense Types**

	<u>1 January- 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Production Commissions (-)	(136.138.915)	(115.612.115)
Personnel Wages and Expenses (-)	(34.450.856)	(30.471.422)
IT System Expenses (-)	(4.543.775)	(4.419.769)
Depreciation expenses (-)	(4.060.835)	(3.491.701)
Advertisement Expenses (-)	(3.979.788)	(3.503.651)
Renewal and maintenance expenses (-)	(2.919.439)	(3.168.686)
Transportation expenses (-)	(2.697.086)	(2.400.678)
Meeting and training expenses (-)	(2.543.561)	(955.264)
Social relief expenses (-)	(1.820.329)	(1.797.679)
Outsourcing services expenses (-)	(1.678.544)	(1.918.482)
Communication expenses (-)	(1.034.635)	(932.998)
Rent Expenses (-)	(887.994)	(489.454)
Other (-)	(3.452.860)	(4.958.341)
<b>Total</b>	<b>(200.208.617)</b>	<b>(174.120.240)</b>

(\*)TL 41.629.355 (31 December 2009: TL 43.066.972) of reinsurance commissions contained in operating expenses and TL 10.211.854 (31 December 2009: TL 4.719.887) of other expenses have not been included; TL 4.060.835 (31 December: TL 3.491.701) of depreciation expenses has been included.

**33. Employee Benefit Expenses**

	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Salary, bonus payments	(33.514.877)	(29.542.162)
Insurance payments	(427.108)	(401.249)
<u>Other payments</u>	<u>(508.871)</u>	<u>(528.011)</u>
<b>Total (Note 32)</b>	<b>(34.450.856)</b>	<b>(30.471.422)</b>

**34. Financing Costs****34.1 Financial Expenses**

None (31 December 2009: None).

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

None (31 December 2009: None).

**34.3 Sales transactions with shareholders, affiliates and subsidiaries**

None (31 December 2009: None).

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

In the current period rent income from shareholder Hacı Ömer Sabancı Holding TL 50.805 (31 December 2009: TL 31.800).



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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 2009: None).

**35. Income Tax**

	<u>31 December 2010</u>	<u>31 December 2009</u>
<u>Current Tax Liability:</u>		
Corporate Tax Liability Provision on Period Profit	7.476.726	-
Prepaid Taxes and Other Liabilities on Period Profit (-)	-	(3.138.650)
	<u>7.476.726</u>	<u>(3.138.650)</u>
<u>Income tax expense/(income) is formed by the items below</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Current Tax Income/Expense	(7.476.726)	-
Deferred Tax (Income)/Expense due to Temporary Differences	<u>5.439.936</u>	<u>(3.250.020)</u>
Total Tax (Income)/Expense	<u>(2.036.790)</u>	<u>(3.250.020)</u>
<u>Deferred Tax</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Recognized in the shareholders' equity: Revaluation of Available for Sale Financial Assets	<u>-</u>	<u>76.549</u>
	-	76.549

**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.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**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 2010	31 December 2009
Valuation Differences of Financial Assets	-	(76.549)
Useful life differences of tangible and intangible fixed assets	(2.086.626)	(2.250.670)
Retirement pay provision	433.551	394.317
Unused vacation provision	430.079	370.904
Payable/receivable discounts	367.542	461.087
Technical provisions	4.048.248	(1.456.839)
Provision for doubtful receivables	656.671	955.009
Other	164.280	100.000
Deferred Tax Assets /(Liabilities)	4.013.745	(1.502.741)

Movements of Deferred Tax Assets / (Liabilities):	2010	2009
Beginning of period - 1 January	(1.502.741)	(43.360.152)
Deferred tax income recognized in the income statement	5.439.936	(3.250.020)
Deferred tax expense recognized in the shareholders' equity	76.550	45.107.431
Closing balance -31 December	4.013.745	(1.502.741)

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

Reconciliation of tax provision;:	2010	2009
Income before tax	3.512.801	34.965.827
Tax calculated %20	(702.560)	(6.993.165)
Effect of additions	(11.339.613)	(6.199.096)
Effect of allowances	4.565.447	15.211.380
Corporate tax payable and provision for other statutory liabilities	(7.476.726)	-
Deferred Tax Income/(Expense)	5.439.936	(3.250.020)

**36. Net Foreign Exchange Gain/Loss**

	1 January- 31 December 2010	1 January- 31 December 2009
Recognized in profit/loss:		
Foreign Exchange Income	9.069.589	13.893.526
Foreign Exchange Expense	(7.811.937)	(16.881.704)
	1.257.652	(2.988.178)

**AKSIGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**37. Earning per Share**

	<u>2010</u>	<u>2009</u>
Number of ordinary shares outstanding	30.600.000.000	30.600.000.000
Beginning of period- 1 January	30.600.000.000	30.600.000.000
Number of equity shares issued in cash	-	-
Number of ordinary shares outstanding	30.600.000.000	30.600.000.000
At the end of period – 31 December	30.600.000.000	30.600.000.000
Weighted average number of outstanding shares (Per Unit TL 0,01 )	30.600.000.000	30.600.000.000
Net profit per the period/ (loss) (TL)	1.476.010	34.965.827
Earnings per Share/ (loss) (TL)	<u>0,005</u>	<u>0,114</u>

**38. Hisse Başı Kar Payı**

At 14 April 2010 0,10 TL per share was paid to shareholders as dividend (total dividend was TL 30.600.000). At 31 March 2009 0,17 TL per share was paid to shareholders as dividend (total dividend was TL 52.020.000).

**39. Cash Generated from the Operations**

Net cash amount that generated from main operations, net cash generated from/used for investments, and net cash used for financing operations are in order : TL 16.865.383, TL (4.200.059) and TL (30.600.000) (31 December 2009: TL 62.172.334, TL 67.938.685 and TL (52.020.000)).

**40. Equity Share Convertible Bonds**

None (31 December 2009: None).

**41. Cash Convertible Privileged Equity Shares**

None (31 December 2009: 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 Note23.2

**44. Business Combinations**

None (31 December 2009: None).

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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**

<u>Company</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Enerjisa Enerji Üretim A.Ş.	7.071.466	11.944.207
Ak Finansal Kiralama A.Ş.	2.615.963	3.551.886
Sabancı Üniversitesi	572.967	3.614.668
Akçansa Çimento San. Ve Tic. A.Ş.	477.870	400.976
Diasa Dia Sabancı Süpermarketleri Tic. A.Ş.	410.623	425.109
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	378.386	405.440
Carrefour Sabancı Ticaret Merkezi A.Ş.	151.703	826.623
Temsa Global	109.960	91.646
Çimsa Çimento san. Ve Tic. A.Ş.	62.648	30.201
Hacı Ömer Sabancı Holding	59.608	19.600
Teknosa İç Ve Dış Tic A.Ş.	51.928	50.987
Akbank Türk A.Ş.	41.819	18.149
Kordsa Sabancı Global	39.272	125.827
Olmuxsa Mukavva San. Tic A.Ş.	36.033	99.447
Yünsa Yünlü San. Ve Tic. A.Ş.	34.776	23.085
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	24.788	345
Bimsa Uluslar. İş, Bilgi ve Yönetim Sist. A.Ş.	15.059	(154)
Pmsa Philip Morris Sabancı Paz. Ve Satış A.Ş.	8.543	9.726
Başkent Elektrik	7.945	-
Akpörtlöy Yönetimi A.Ş.	5.659	85.285
Exsa Export San. Mam. Satış Araş. A.Ş.	4.310	2.039
Dönkasan Dönüşen Kağıt ve Hammaddeleri A.Ş.	2.886	27.452
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	770	(371)
Ak Yatırım Ortaklığı A.Ş.	435	11.998
AEO (Hilton International)	236	35
Akyatırım Menkul Değerler A.Ş.	(117)	(384)
Avivasa Hayat ve Emeklilik A.Ş.	(8.127)	-
<b>TOTAL</b>	<b>12.177.409</b>	<b>21.763.822</b>

(\*) TL 47.142 (31 December 2009: TL 44.016) 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.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**45. Related Parties (cont' d)****Premium Production**

<u>Insuree</u>	January 1 - 31 December 2010	January 1 - 31 December 2009
Enerjisa Enerji Üretim A.Ş.	14.422.273	15.123.436
Ak Finansal Kiralama A.Ş.	8.374.631	9.608.350
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	7.614.138	8.136.408
Akbank Türk A.Ş.	4.749.721	3.874.593
Sabancı Üniversitesi	4.747.926	4.355.984
Temsa Global	3.505.960	6.796.415
Carrefour Sabancı Ticaret Merkezi A.Ş.	3.406.732	5.455.043
Kordsa Sabancı Global	3.031.994	3.494.363
Çimsa Çimento san. Ve Tic. A.Ş.	2.998.799	3.319.901
Akçansa Çimento San. Ve Tic. A.Ş.	2.810.039	3.257.776
Teknosa İç Ve Dış Tic A.Ş.	2.172.984	2.077.678
Olmuxsa Mukavva San. Tic A.Ş.	1.944.651	2.479.959
Başkent Elektrik	1.846.937	-
Avivasa Hayat ve Emeklilik A.Ş.	1.441.186	1.758.640
Pmsa Philip Morris Sabancı Paz. Ve Satış A.Ş.	847.563	1.041.541
Yünsa Yünlü San. Ve Tic. A.Ş.	778.919	841.553
Hacı Ömer Sabancı Holding	731.879	776.629
Diasa Dia Sabancı Süpermarketleri Tic. A.Ş.	586.086	774.636
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	400.699	688.616
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	275.848	322.763
Bimsa Uluslar. İş, Bilgi ve Yönetim Sist. A.Ş.	180.788	214.514
Akyatırım Menkul Değerler A.Ş.	169.633	210.879
Exsa Export San. Mam. Satış Araş. A.Ş.	122.851	323.020
Dönkasan A.Ş.	91.911	101.604
Akpörföy Yönetimi A.Ş.	61.988	58.757
Hacı Ömer Sabancı Vakfı	47.625	41.617
AEO (Hilton International)	11.838	11.058
Ak Yatırım Ortaklığı A.Ş.	6.759	6.438
<b>TOTAL</b>	<b>67.382.358</b>	<b>75.152.171</b>

**Interest Income Received From Related Parties**

	January 1- 31 December 2010	January 1- 31 December 2009
Akbank T.A.Ş.	27.951.820	31.255.869
<b>Toplam</b>	<b>27.951.820</b>	<b>31.255.869</b>

The company has sold a portion of fields contained within the portfolio of real estates for investment to Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş., one of the related parties in the fiscal year.

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

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

#### 46. Subsequent Events

Agreement about the sale of %50 of 18.965.880.200 units of Aksigorta A.Ş. shares with TL 189.658.802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding's portfolio are going to be sold to Ageas Insurance International N.V. with a sale price of USD 220.029.000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

As a result of the tax inspection report prepared by Ministry of Finance tax inspectors and communicated to the Company on 07 January 2011, an application was made to the reconciliation committee as regards taxes and penalties levied from the perspective of corporate tax. According to Reconciliation Minutes No.2011/3, dated 09 March 2011, the reconciled tax assessment equals TL8,499,835, the amount to be paid together with late payment interest was calculated as TL11,652,520 and this amount was reflected in the account "Other expense and losses" in the current period financial statements.

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 2.623,23 TL which is valid from 1 January 2011 (Employee termination benefits' limit that valid from 01 January 2010 is TL 2.427,04).

#### 47. Other

<u>Other Current Assets</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Akbank T.A.Ş.	-	1.720.371.899
AvivaSa Emeklilik ve Hayat A.Ş.	-	548.222.171
<u>Total</u>	-	<u>2.268.594.070</u>

In the Board of Directors Meeting on 14 December 2009, Akbank T.A.Ş. equity shares in the Company's available for sale financial assets portfolio and Avivasa Emeklilik ve Hayat A.Ş. equity shares in the Company's joint ventures portfolio which are stated under "Other Current Assets" account in the accompanying financial statements are decided to be transferred to Hacı Ömer Sabancı Holding A.Ş. ("Holding"), the Company's parent company, spin-off process is decided to be performed in accordance with the article 19, section 3, clause 3 and article 20 of the Corporate Tax Law numbered 5520 and the rules of "The Communiqué about the Basis and Procedures of the Spin-off Transactions of the Joint-Stock and Limited Companies" published in the Official Gazette dated 16 September 2003 and numbered 25231. Spin-off contract signed with the Holding in accordance with the rules of the communiqué mentioned above is approved in the Extraordinary General Assembly on 4 January 2010. Additionally, T.C. Prime Ministry Undersecretariat of Treasury gives opinion about the fact that spin-off does not cause problem for the insurance regulations on 16 September 2009. Capital Markets Board declares to receive the spin-off and simultaneous capital increase and decrease favourable with the document numbered B.02.1.SPK.013-1823 and dated 15 December 2009.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**47. Other (cont' d)**

In accordance with procuring the equity shares mentioned above as real capital and transferring the equity shares representing the increased capital in return for the procurement of those equity shares to the shareholders' of the Entity except for Holding; the issued shares, with TL 533.308.752 nominal value resulted from the Entity's paid in capital is simultaneously increased from TL 306.000.000 to TL 839.308.752 and decreased to TL 306.000.000, are registered by the Capital Markets Board by the document dated January 7, 2010 numbered 114/1087 in accordance with the Board rules numbered 2499 and registered in Trade Register on 12 January, 2010.

The increase and the decrease of the paid in capital registered to Central Registry Agency on 14 January 2010. The total of TL 533.308.752 increase in paid capital's TL 128.338.906 portion paid from positive Inflation Adjustment on Capital account; TL 44.331.933 portion paid from inflation adjustment on legal reserves account; TL 153.605.731 portion paid from inflation adjustment on extraordinary reserves account; TL 54.174.197 portion paid from extraordinary reserves; TL 99.959.485 portion paid from incomes from sales of affiliates and real-estates account and TL 52.898.500 portion paid from compulsory earthquake insurance account. Furthermore, the total decrease in paid capital amounted TL 533.308.752 actualized by cost value of Abank T.A.Ş.'s shares amounting to TL 402.792.696 and cost value of Avivasa Emeklilik ve Hayat A.Ş.'s shares amounting to TL 130.516.056, as the result of the spin off, the valuation differences of Akbank T. A.Ş. and Avivasa Emeklilik ve Hayat A.Ş. equity shares amounting to TL 1.317.579.203 and TL 417.706.115, respectively, are net off with the revolution of financial assets account.

Akbank T.A.Ş. equity shares are placed under available-for-sale portfolio in the balance sheet before classifying them to the Company's assets held for distribution to owners.

31 December 2010

Shares

	Portion of Shares	Budgeted Cost	City Price	Registered Value
	%	TL	TL	TL
Akbank T.A.Ş.	-	-	-	-

31 December 2009

Shares

	Portion of Shares	Budgeted Cost	City Price	Registered Value
	%	TL	TL	TL
Akbank T.A.Ş.	6,07	402.792.696	1.720.371.899	1.720.371.899

Avivasa Emeklilik ve Hayat A.Ş. placed under joint ventures portfolio in the balance sheet before classifying them to the Company's assets held for distribution to owners.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**47. Other (cont' d)**

31 December 2010

Joint Ventures

Not Listed on the Stock Market	Portion of	Budgeted Cost	Registered Value
	Shares		
	%	TL	TL
AvivaSA Emeklilik ve Hayat A.Ş.	-	-	-

31 December 2009

Joint Ventures

Not Listed on the Stock Market	Portion of	Budgeted Cost	Registered Value
	Shares		
	%	TL	TL
AvivaSA Emeklilik ve Hayat A.Ş. (*)	49,83	130.516.056	548.222.171

(\*) Book value is measured based on the determinations of the expert commission's 16 July 2007 dated report. Expert commission was appointed upon the resolution no: 2007/876 D of Commercial Court of Third Instance of Kadıköy issued on 11 July 2007.

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

<u>Other Receiveables</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Temporary accounts of to paid claims	822.605	6.570.084
Other Receiveables	1.527.633	1.818.932
Cheques given and Payment Orders	-	(4.935.940)
<b>Total</b>	<b>2.350.238</b>	<b>3.453.076</b>

<u>Other Payables</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Payables to Suppliers	1.103.062	1.842.249
Payables to contracted enterprises	4.296.521	7.059.290
Natural disaster insurances institution payables to agents	463.499	381.616
Institution of Natural Disaster Insurances current account	1.845.247	2.053.546
Tarım Sigortaları A.Ş. current account	3.380.913	3.424.612
Other	1.285.099	48.885
<b>Total</b>	<b>12.374.341</b>	<b>14.810.198</b>

Long Term Liabilities- Other Technic

<u>Provisions</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Equalization reserve	10.844.089	6.974.825
<b>Total</b>	<b>10.844.089</b>	<b>6.974.825</b>



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**47. Other (cont'd)**

Income and Profit/ Expense and Loss from Other And Extraordinary Activities	January 1 - 31 December 2010	January 1 - 31 December 2009
Provisions Account (+/-)	(18.178.878)	(9.103.406)
2009 expected claims recovery ve salvage income	(14.032.833)	-
Provisions for doubtful receiveables	(1.423.697)	(5.540.699)
Provisions for employee termination benefits	(1.006.707)	(813.266)
Provisions for other expenses	(1.715.641)	(2.749.441)
Discount account (+/-)	156.900	4.615.548
Compulsory earthquake insurance account (+/-)	337.751	223.337
Deferred tax asset (+/-)	5.439.936	-
Deferred tax liability expense (-)	-	(3.250.020)
Other income and profit	5.464.047	2.817.089
Other expenses and losses (-) (Note 46)	(18.727.085)	(7.499.390)
<b>Total</b>	<b>(25.507.329)</b>	<b>(12.196.842)</b>

## APPENDIX I - CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

	Note	Current Audited Period (*)	Previous Audited Period(**)
<b>I. DISTRIBUTION OF PROFIT FOR THE PERIOD</b>			
1.1. PROFIT FOR THE PERIOD			
1.2. TAXES PAYABLE AND LEGAL LIABILITIES			
1.2.1 Corporation tax (Income tax)			
1.2.2 Income tax deduction			
1.2.3 Other taxes and legal liabilities			
<b>A NET PROFIT FOR THE PERIOD (1.1 - 1.2)</b>			
1.3. PREVIOUS YEARS' LOSSES (-)			
1.4. FIRST LEGAL RESERVE			
1.5. LEGAL RESERVES KEPT IN THE COMPANY (-)			
<b>B NET DISTRIBUTABLE     PROFIT FOR THE PERIOD [ (A - (1.3 + 1.4 + 1.5) ]</b>			
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)			
1.6.1 To common shareholders			
1.6.2 To preferred shareholders			
1.6.3 To owners of participating redeemed shares			
1.6.4 To owners of profit-sharing securities			
1.6.5 To owners of profit and loss sharing securities			
1.7. DIVIDENDS TO PERSONNEL (-)			
1.8. DIVIDENDS TO FOUNDERS (-)			
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)			
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)			
1.10.1 To common shareholders			
1.10.2 To preferred shareholders			
1.10.3 To owners of participating redeemed shares			
1.10.4 To owners of profit-sharing securities			
1.10.5 To owners of profit and loss sharing securities			
1.11. SECOND LEGAL RESERVE (-)			
1.12. STATUTORY RESERVES (-)			
1.13. EXTRAORDINARY RESERVES			
1.14. OTHER RESERVES			
1.15. SPECIAL FUNDS			
<b>II. DISTRIBUTION FROM RESERVES</b>			
2.1. DISTRIBUTED RESERVES			
2.2. SECOND LEGAL RESERVE (-)			
2.3. DIVIDENDS TO SHAREHOLDERS (-)			
2.3.1 To common shareholders			
2.3.2 To preferred shareholders			
2.3.3 To owners of participating redeemed shares			
2.3.4 To owners of profit-sharing securities			
2.3.5 To owners of profit and loss sharing securities			
2.4. DIVIDENDS TO EMPLOYEES (-)			
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)			
<b>III. PROFIT PER SHARE</b>			
3.1. TO COMMON SHAREHOLDERS			
3.2. TO COMMON SHAREHOLDERS (%)			
3.3. PREFERRED SHAREHOLDERS			
3.4. TO PREFERRED SHAREHOLDERS (%)			
<b>IV. DIVIDENDS PER SHARE</b>			
4.1. TO COMMON SHAREHOLDERS			
4.2. COMMON SHAREHOLDERS (%)			
4.3. TO PREFERRED SHAREHOLDERS			
4.4. TO PREFERRED SHAREHOLDERS (%)			

(\*) According to the decision of Capital Markets Board dated 27 January 2010, companies that are required to prepare financial statements, are responsible for stating their net distributable profit considering the net profit for the period that is publicly stated as long as it can be funded by their officially stated equities.

(\*\*) Since the Company's General Shareholders' meeting was not held as of the preparation date of the financial statements, the statement of profit distribution is not approved (1 January – 31 December 2009: TL 30.600.000).

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