2011
Annual Report

RAY SİGORTA
VIENNA INSURANCE GROUP

Ray Sigorta
2011 Annual Report

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VIENNA INSURANCE GROUP

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Vision / Mission Statement / Values

Vision;

To evolve into a Company, which creates value and leads the insurance industry.

To be one of the Top 5 companies of the non-life insurance sector by 2015.

Mission Statement;

Our mission is to improve our existing insurance knowledge, product infrastructure, reliable service, strong technology and human resources constantly under an innovative approach and to be a preferred company bringing values to the customers, business partners, shareholders and employees.

Agents and Brokers are the most valuable partners to our company and will receive the highest service level in the insurance industry.

Values;

We are family,
We are honest,
We respect ethical values,
We are fair,
We are transparent and collaborative,
We are strong together,
We are creative and productive,
We value people.

Ray; Past to Present

RAY SIGORTA IN A FEW WORDS

- Established in 1958 by the common initiative of national transportation companies [THY, Maritime Lines, State Railroads, PTT (Post Office Department)].
- Privatized in 1992 by Doğan Holding.
- In 2007, 74.26% of the Company shares was taken over by TBIH Financial Services Group, a subsidiary of VIG.
- In 2008, Ray Sigorta added Vienna Insurance Group to its logo.
- The shareholding structure of the company by 2009: 84.26% held by VIG, 10% held by Dogan Group and 5.74% publicly offered in ISE
- The shareholding structure of the company by 2011: 81.59% held by TBIH Services Group N.V, 12.67% held by Vienna Insurance Group (VIG), 5.7% publicly offered.
- The total premium generation of Ray Sigorta in 2011: 252,962,810 TL
- The market share of Ray Sigorta in 2011: 1,76%
- Ray Sigorta has ranked 16th among the insurance companies in 2011.

Ladies and Gentlemen,

I am really happy to have the opportunity to look back and review 2011, a fruitful year for Ray Sigorta with a great many developments. The Turkish insurance market achieved a dynamic growth in this period. We witnessed an increase over 20% in terms of total premium incomes. This relates to both life and non-life insurance branches. The non-life insurance branch, one of the areas of activity of company, has an outstanding position in the insurance industry today as it had in the past.

This upward momentum has a close relationship with the strong economic growth of Turkey. This growth is announced to be 6.6% by the International Monetary Fond. The future projections are still positive. The estimated growth rate by 2.2% in view of the challenging conditions at a global level is a positive indicator for Turkey.

In line with the strategic plans, Ray Sigorta maintained the new arrangement in its portfolio, increased its activity in branches other than motor insurance, and reinforced its position in the market. Also, the Company significantly improved the processes in risk assessment and intensified market activities in order to support sales. As part of Vienna Insurance Group, Ray Sigorta used the opportunities of benefitting from internal synergy and optimizing major business processes. One of the leading insurance holdings in the Central and Eastern Europe, Vienna Insurance Group kept up with its strategy successfully in 2011 as well and achieved considerable increase in premium generation and profitability. Powered by Vienna Insurance Group, Ray Sigorta's potential to make use of growth opportunities in the future has increased based on stability and future-orientation, and we gradually stand more powerfully in the market.

I would like to take this opportunity to thank the Ray Sigorta Management and all employees for putting right measures into practice on the way to ensuring positive business development, and for their efforts intended for making Ray Sigorta a customer and service oriented company, which are the primary prerequisites of a successful insurance company.

I also extend my thanks to our customers and successful agencies for the confidence they put in the productivity and business power of Ray Sigorta.

Truly yours,
Karl Fink
Chairman of the Board

Dear Esteemed Shareholders;

2011 was a highly positive year both for the insurance industry and Ray Sigorta, during which we witnessed positive developments and a growth by 21% in the non-life segment. Although 2011 was a promising year in terms of growth in an ever developing insurance industry, unfortunately the industry was unable to achieve the desired results in technical stability. As the competition is based on prices in this growth-oriented industry, this challenging competition led to a failure to achieve the desired goals in terms of technical stability.

In 2011, which was quite a tough year in terms of stability, we projected a growth in non-motor segments in line with our portfolio change strategy, and focused all our efforts accordingly. We closed 2011 by a premium generation of 252,962,810 TL by achieving growth in non-branch segments and seeing and equal rate of degrowth in the motor segment.

In 2011, we started to see positive return on portfolio as well as on our business strategy based on productivity far more clearly, and reached up to 24 million 838 TL in technical stability, a segment in which the industry has seen major problems, by means of accomplishing significant developments in this segment. Particularly we managed to derive profit in the accident insurance segment, which ended up with technical loss by the end of 2010.

Considering all these developments, we achieved to reverse the negative results of the last 3 years, regained profitability and closed our 2011 balance by a net profit amount of 340,377 TL. This was of great significance for Ray Sigorta; we believe Ray Sigorta achieved these positive results thanks to its customers' preferences, the support from agencies and brokers as well as the efforts of our employees.

Powered by Vienna Insurance Group, which is one of the largest insurance companies of the Central and Eastern Europe, we will carry the profitability we achieved in 2011 a step further in 2012, take steps for sustainable profitability and achieve a growth rate over 20%. For that purpose, we will constantly improve our service quality, adopt a customer—oriented approach and highlight productivity. Security in Risk and Asset placements shall remain to be our indispensible priority.

Truly Yours,
LEVENT SISMANOGLU
Member of the Board and General Manager

Vienna Insurance Group

Vienna Insurance Group (VIG) is one of the leading insurance groups in Australia, the Central and Eastern Europe with its premium volume of about 9 billion and 25,000 employees. Innovation, strong customer relations and focus on customer services create a highly quality product portfolio with attractive solutions both in the life and non-life insurance segments.

VIG's focused and systematic strategy for expanding into the Central and Eastern Europe soon enabled the group to turn from being a national insurance company into an international group. Today, VIG is represented by approximately 50 insurance companies in 25 countries. Standing for financial stability, VIG is able to offer a high level of reliability to its customers, shareholders, business partners and employees. One of the key factors of VIG's success is the conservative investment policy it adopted. This reliability is underscored by the A+ rating, and this credit rating makes Vienna Insurance Group as the best rated company in ATX index consisting of leading companies of Vienna Stock Exchange. Further, VIG has been traded on Prague Stock Exchange since 2008.

In addition to its economic considerations, the Group also places great importance to assisting the creation of a society that is worth to live within in the future. By this means, Vienna Insurance Group sticks to its major goal for value-driven growth.

Thanks to its group companies titled Wiener Städtische, Donau Versicherung and s Versicherung, Vienna Insurance Group holds a distinguished position and is the largest insurance company in Austria. The powerful position that has been maintained in the core market since 1824 is one of the factors in VIG's success in materializing the strategy of becoming an international Group.

Vienna Insurance Group initiated its growth in 1990, which enabled the company to become one of the West European insurance companies that expanded into the Central and Eastern Europe. Today, the Group is one of the primary actors in this region, and generates 50% of the total Group premiums in the Central and Eastern Europe region. In the Central and European region, VIG has companies and branches in the following countries: Albania, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Lithuania, Latvia, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine. VIG also has presence in Bosnia Herzegovina as of 2011. Depending on the high level of knowledge about the markets in this region and many years of experience and the specialization in all insurance subjects, VIG has optimally focused on continuing to make use of any increases to happen in the future in terms of the standard of living in the Central and Eastern Europe as well as the increase of demand for insurance along therewith.

Vienna Insurance Group has presence in Germany, Liechtenstein and Italy too.

Each customer is unique. Our customers differ in terms of their needs for insurance and retirement plans, living conditions as well as their ways of receiving consultancy services. Vienna Insurance Group is well aware of this fact. For VIG, no insurance customer is a "standard" customer; accordingly, VIG is quite heedful in respect of special local characteristics, and maintains a presence beyond the existence of a single brand name or wide distribution network in many of the markets it operates in. There is a single truth to which all group companies of Vienna Insurance Group adheres to: the goal of offering security for our customers.

For decades, VIG companies have been offering a wide range of insurance solutions in Austria both in life and non-life insurance branches. The markets in the Central and Eastern Europe, though they are still under tough economic level, moves toward a similar direction speedily. While the demand in this region in the period after 1989 was strong for motor vehicle comprehensive insurance, at the beginning, and then for home insurance, today saving and investment products retirement plans and life insurance is in an ever increasing demand.

By the establishment of VIG RE, the Group has owned its own reassurance company since 2008. The location of the principal place of business of the Company in the Czech Republic underlines the significance of the Central and Eastern Europe for VIG as an ever growing market. Erste Group is a strong business partner for Vienna Insurance Group. While Erste Group operates independently, it adheres to the same values and follows a similar growth strategy. These two companies make an equal use of a long-term collaboration agreement signed in 2008 for Austria and Central & Eastern Europe. Erste Group performs the distribution of VIG insurance products, and in return, VIG companies provide Erste Group with banking products. This arrangement, which is based upon mutual collaboration, provides Vienna Insurance Group with the opportunity to have access to a well-established bank distribution network.

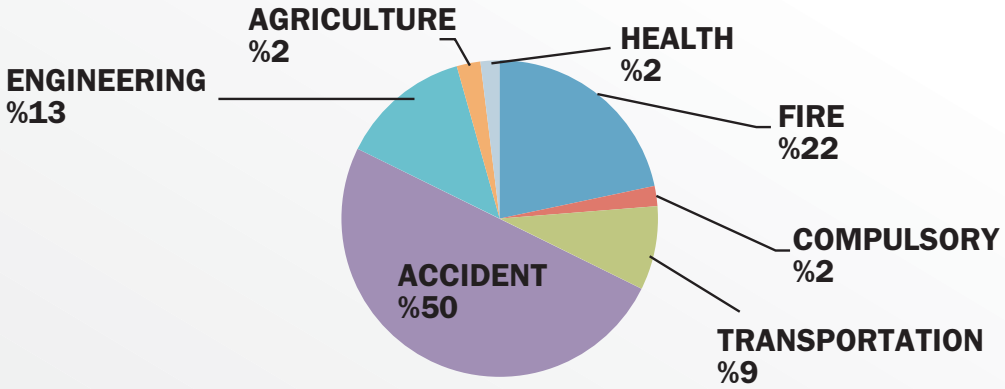
Employees play a crucial role in the success of a corporate service. For this purpose too, Vienna Insurance Group attaches great importance to understanding local markets and establishing close customer relations in addition to business commitment, professional guidance and outstanding service.

For more information about Vienna Insurance Group you may visit www.vig.com or review VIG Group's Annual Reports.

Technical Outcomes

Premium Generation:

The premium generation of the company in 2011 was 252,962,810 TL. This premium amount positions Ray Sigorta at 16th rank with a market share of 1,76% among the companies operating in non-life insurance branches.



Technical Profit:

The Technical Profit, which realized as 2,813,088 TL in 2010, increased up to 24,838,054 TL in 2011.

Distribution of our premium generation, increase rates and technical profit amounts by branch in comparison to 2010 is provided in the table below:

	2010		2011		
BRANCH	**PREMIUM**	**TECHNICAL PROFIT**	**PREMIUM**	**INCREASE (%)**	**TECHNICAL PROFIT**
Fire	48,511,600	3,938,957	54,808,152	13	4,393,778
Casualty	138,273,485	-16,087,807	126,262,737	- 8,7	4,178,235
TCIP	8,061,461	209,216	5,269,558	- 34,6	418,933
Engineering	31,878,272	8,484,121	33,681,287	5,7	7,021,113
Transportation	22,075,798	5,977,588	21,964,930	- 0,5	7,431,457
Agriculture	271,296	14,311	6,190,673	2,181	482,101
Health	3,302,317	276,702	4,785,474	45	912,437
TOTAL	**252,374,228**	**2,813,088**	**252,962,810**	**0,2**	**24,838,054**

The Fire Branch

The premiums collected by the Company in the Fire (Insurance) Branch reached up to 54,808,152 TL by an increase of 13% when compared to the previous year. The technical profit generated in this branch, in which the Company paid claims for 29,039,759 TL in total, equals to 4,393,778 TL, 8% of the premiums. 33,387,885 TL of the outstanding claims of a total 38,663,228 TL corresponds to the share to be borne by the reinsurers.

The Casualty Branch

While the total claim payments for the year 2011 amounted to 124,627,276 TL in this branch, the outstanding claims amount to 60,327,550 TL, 14,411,515 TL of which stands as the reinsurers' share.

The Engineering Branch

The premiums generated in this branch amount to 33,681,287 TL. The technical profit generated within the year in this branch, in which the Company paid claims for 18,613,982 TL, equals to 7,021,113 TL, 20.84% of the premiums. 11,358,398 TL of the outstanding claims of a total 12,752,464 TL corresponds to the share to be borne by the reinsurers.

The Transportation Branch

The premiums generated in this branch amount to 21,964,930 TL. The technical profit generated within the year in this branch, in which the Company paid claims for 3,880,650 TL, equals to 7,431,457 TL, 33,83% of the premiums. 4,177,949 TL of the outstanding claims of a total 5,315,289 TL corresponds to the share to be borne by the reinsurers.

The Health Branch

The premiums collected by the Company in the Health (Insurance) Branch reached up to 4,785,474 TL by an increase of 45 % when compared to the previous year. The technical profit earned equals to 912,437 TL, 19% of the premiums.

Results of Technical Transactions

In 2011, Ray Sigorta;

- Generated premiums in an amount of 252,962,810 TL and endorsed 117,088,612 of the mentioned amount to the reinsurers
- Paid some total of 37,053,463 TL commission, including the change in the deferred commissions paid, in consideration of the premiums collected while it earned 24,390,351 TL of commissions, including the change in the deferred commissions paid, for the premiums it endorsed to the reinsurers,
- Paid some total of 179,658,849 TL claims while it was refunded for 77,160,797 TL of the said amount as the reinsurers' share
- And earned technical profit in an amount of 24,838,054 TL, taking other various income and expense items into account.

RAY SIGORTA IN 2011

By the end of 2011, Ray Sigorta A.S. is providing services with a total of 255 employees in 7 Regional Directorates, 1 Regional Representative and 1 Call Center.

The Company reached up to a market share of 1,76% in the industry by generating some premium of 252,962,810 TL in non-life branches with the services provided to 788 agencies, 64 bank branches, 59 brokers, 6 leasing and 818 contracted car service in 73 provinces and 1,908 contracted health institutions.

Below is a detailed table showing refraction by region of the employees, agencies, contracted health institutions:

NUMBER OF EMPLOYEES AS OF 31.12.2011	
	NUMBER
HEAD OFFICE	158
ADK CALL CENTER	7
ANATOLIAN REGION	10
BOSPORUS REGION	11
THRACIAN REGION	10
ANKARA	30
IZMIR	12
ANTALYA	4
ADANA	8
BURSA	4
CYPRUS	1
TOTAL	**255**

NUMBER OF AGENCIES AS OF 31.12.2011	
ANATOLIAN REGION	118
BOSPORUS+THRACIAN REGION (EUROPE)	113
CENTRAL ANATOLIA	253
AEGEAN REGION	110
MARMARA REGION	47
MEDITERRANEAN REGION	47
SOUTHEASTERN ANATOLIA REGION	72
CYPRS	28
TOTAL	788

31.12.2011 NUMBER OF CONTRACTED ORGANIZATIONS	
Regional Directorates	**Number of Contracted Organizations in Health Branch**
Head Office	
Bosporus Side	322
Anatolian Side	445
Thracian Region	204
Ankara	340
Aegean Region	270
Bursa	108
Adana	111
Antalya	101
TRNC Office	7
Total	**1.908**

Marketing Department of Ray Sigorta

The Marketing Department of Ray Sigorta, which takes all its actions based on the principle of meeting needs, identifies the needs of customers, target audience and business partners, then plans strategically and manages how, through what channel, with what product and for what price to reach the target audience to meet such needs. The Marketing Department of Ray builds all activities upon the principle of responding to needs, being innovative, ensuring sustainability and win-win principle.

In 2011, the Marketing Department of Ray Sigorta continued its activities in line with the corporate strategic goals, and maintained its efforts aimed at product development, segmentation, campaigns, supplier relations and communication. Accordingly, the following are the activities conducted in 2011 different from other years:

- Pharmaray (Pharmacy Package Insurance), Royal (Common Field Insurance) and Benim Evimsaray (House Package Insurance) policies have been renewed in accordance with customer needs.
- Just like in 2010, staff members of Ray Sigorta distribution channel were provided with training in 2011 about new products, know-how, and claims practices by online and class trainings within the organization of Ray Akademi.
- Static IP address check was included in the system used for the entry of our major agencies into the Rayport, a Ray Sigorta system, and thus, the agencies are ensured to have a more secure entry to the system through their static IP addresses identified by Ray Sigorta.
- An “Agency Establishment Committee” was established in September 2011, consisting of Sales Directors, Agencies Sales Manager and Agencies Campaign and Operation Manager, and the candidate agencies are evaluated and agency agreement as well as contract of guarantee for legal agencies started to be prepared by the relevant unit of the marketing department. Hence, a more transparent assessment and a faster agency establishment is ensured.
- Brochure and poster works intended for Ray Sigorta product groups are renewed in order to promote Ray Brand more efficiently.
- In 2011, Ray Sigorta published 313 news studies in the national and industrial press with respect to product, service and industry reviews, and the target audience is ensured to receive Ray Sigorta messages effectively.
- In 2011, Ray Sigorta unveiled the Complaint Hotline as one of the first practices in the industry intended for customer satisfaction. The customers, who wish to express their complaints, demands, satisfaction, opinions and suggestions, may simply call 444 4 729 from 09:00 to 18:00 during weekdays and contact the Customer Representative, the customers will be called back after a detail review of their problems is ensured.

The Claims and Subrogation Department In 2011

As the Claims and Subrogation Department, by pursuing all technological developments, we dedicated the year 2011 to the effective inspection of costs and achieving innovative works in a way to respond to customers' expectations for a more clear claims process by means of considering customer satisfaction.

- In this regard, online claims management system has been put into practice for the purpose of fast completion of the claims process. In our contracted services which are determined depending on Fast Repair Centers and claims intensity, for specific amounts of claims, the claims process is completed by the On-Site Audit team over the claims management system without appointing an appraiser.

- The Car On-Site Audit team created toward the end of 2010 has increased the efficient inspection of claims file costs and business process thanks to the new automation systems put into service during the previous year. By this means, it is ensured that the service providers we cooperate are inspected within the process and their performance is followed up, and it is also observed that this had significant contribution to the claims costs by the end of 2011.

- A new software system is put into practice with a view to determine and research suspicious claims and to implement the process efficiently. Thanks to that, the misconducts are determined and investigated in a fast way by online coordination and the performance measurements and management are facilitated.

- In parallel to heavy demands and opinions submitted by our Agencies and Customers, the number and presence of Fast Repair Centers, by which we aim to provide innovative and quality service to our policyholders, has been increased in consideration of accessibility.

- Intended for our policyholders, who receive services from Fast Repair Centers, a customer satisfaction survey is conducted and achieved a customer satisfaction level of about 90%. Our goal is to increase this 90% level of customer satisfaction to upper levels and ensure an effective conduct of the claims processes by enabling all Fast Repair Centers in the service network to adopt this goal.

Thanks to the actions taken in accordance with the strategic plans made during the previous year, the projects unveiled as well as innovations, we reduced the claims costs by increasing our service quality and as a consequence, a major contribution is ensured to the profitability of our Company especially on the side of motor insurance branch.

Our Shareholders And Management

Karl Fink / Chairman

2009 - present / Vienna Insurance Group / Member of the Extended Executive Board
2007 - 2009 / Vienna Insurance Group / General Manager
2004 - 2007 / Viener Stadtische, Allgemeine Versicherungs AG / Deputy General Manager
1987 - 2004 / Viener Stadtische, Allgemeine Versicherungs AG Vienea / Member of the Board of Directors
1979 - 1978 / Interrisk Internationale Versicherungs Aktiengeselleschaft / Chairman of the Board of Directors
1975 - 1979 / Wiener Stadtische Wechselseitige Versicherungsanstalt, Vienna / Industrial Risks
1971 - 1975 / Marubeni Corporation, Tokyo / Authorized Representative in Berlin

Dr. Martin Simhandl / Deputy Chairman and Member

2004 - present / Vienna Insurance Group AG Wiener Versicherung Gruppe / Member of the Management Board, CFO
2004 - 2011 / Vienna Insurance Group AG Wiener Versicherung Gruppe / Member of the Management Board

Ofer Yehudai / Vice Chairman & Board of Directors Member

2009 - continuing / TBIH Financial Services Group N.V. / Executive Board Member
2006 - 2009 / TBIH Financial Services Group N.V. / Finance Director
1996 - 2006 / TBIH Financial Services Group N.V. / Financing & Accounting Expert
1992 - 1998 / Kost Forer Gabbay & Kasierer (Ernst & Young Israel) / Certified Public Accountant

Levent Şişmanoğlu / Member and General Manager

2007 - present / Ray Sigorta A.Ş.
2006 - 2007 / Brian Tracy / Sales Organization Consultant and Trainer
2003 - 2005 / Genel Sigorta and Genel Yasam Sigorta Agency
1997 - 2003 / Garanti Sigorta A.S. / Regional manager
1996 - 1997 / Arpas Kuyumculuk / Sales Manager
1995 - 1996 / Polisan A.S. / Sales Manager
1994 - 1995 / Rotopas A.S. / Product Manager

Vladimir Mraz / Member

2008 - present / TBIH Financial Services Group N.V / Member of the Executive Board
1993 - 2008 / Kooperative pojist ovna. a.s. - Vienna Insurance Group / Chairman of the Executive Board and General Manager
1991 - 1993 / Kooperative / Branch Manager
1987 - 1991 / Czech Republic - State Insurance Company / General Insurance Department Manager
1980 - 1987 / Czech Republic - State Insurance Company / Motor Car Insurance Department manager
1972 - 1980 / Czech Republic - State Insurance Company / Senior Insurance Specialist
1968 - 1972 / Czech Republic - State Insurance / Claims Assessment Officer

Hüsniye Çiğdem Çadırcı Copikoğlu / Member

2011 - present / Ray Sigorta A.Ş. / Board of Directors Member
2006 - 2010 / Swiss Reinsurance Co. A.G. / Vice President Europe
1998 - 2006 / GE Insurance Solutions / Leading Property Underwriter / Underwriter
1994 - 1998 / Ankara Anonim Türk Sigorta Şirketi / Reinsurance & Key Account Manager
1990 - 1994 / Istanbul Reasürans A.Ş. / Non-Motor Manager
1988 - 1990 / Halk Reasürans A.Ş. / Underwriter

Executive Board & Senior Management

Levent Şişmanoğlu / Member and General Manager

2007 - present / Ray Sigorta A.Ş.
2006 - 2007 / Brian Tracy / Sales Organization Consultant and Trainer
2003 - 2005 / Genel Sigorta and Genel Yasam Sigorta Agency
1997 - 2003 / Garanti Sigorta A.Ş. / Regional manager
1996 - 1997 / Arpas Kuyumculuk / Sales Manager
1995 - 1996 / Polisan A.Ş. / Sales Manager
1994 - 1995 / Rotopas A.Ş. / Product Manager

Metin Akgün / Deputy General Manager, Member of the Executive Board, Motor Technical and Claims & Subrogation

1998 - present / Ray Sigorta A.Ş.
1996 - 1998 / Member of the Board of Directors and Deputy General Manager of Botas
1992 - 1996 / Ray Sigorta A.Ş. / IZMIR regional manager
1982 - 1992 / Petrol Ofisi A.Ş. / Factories Manager
1972 - 1982 / Petrol Ofisi A.Ş. / Izmir Regional Directorate / Assistant Regional Manager

Eyüp Kemal Daldal / Director, Member of the Executive Board Technic and Claims & Reassurance

1993 - present / Ray Sigorta A.Ş.
1989 - 1993 / T. Halk Bank A.Ş. / Controlling Chief
1987 - 1989 / Anadolu Endustri Holding / Asst. Worksite Chief

Director, Member of the Executive Board, Sales

2010 - present / Ray Sigorta A.Ş.
2006 - 2010 / Eureko Sigorta A.Ş. Head Office / Corporate - Commercial - SME - Direct Business Sales Director
2005 - 2005 / Eureko Sigorta A.Ş. Head Office / Sales Coordination Unit Manager
2002 - 2005 / Eureko Sigorta A.Ş. Ankara region / Central Anatolia Regional Manger
2000 - 2002 / Eureko Sigorta A.Ş. Ankara Region / Regional Deputy Mnager
1999 - 2000 / Garanti Sigorta A.Ş. Ankara Region / Technical Expert
1998 - 1999 / Garanti Sigorta A.Ş. Ankara Region / Claims Expert
1997 - 1998 / Garanti Sigorta A.Ş. Ankara Region / Agencies Collection Specialist
1995 - 1997 / Oyak Sigorta A.Ş. / Accounting - Financial Specialist

Koray Erdoğan / Director, Member of the Executive Board Financial and Administrative Affairs

2011 - present / Director, Member of the Executive Board, Finance and Administrative Affairs, Ray Sigorta A.Ş.
2010 - present / Instructor - Hacettepe Universit, Department of Actuary Sciences,
2009 - 2011: Deputy Chairman of the Board - Insurance Auditing Board of the Undersecretariat of Treasury
1997 - 2009 / Insurance Auditing Specialist - Insurance Auditing Board of the Undersecretariat of Treasury

Feridun Art / Marketing Director

2011 - present / Ray Sigorta A.Ş.
2009 - 2010 / Ankara Sigorta A.Ş. / Deputy General Manager responsible for Sales, Marketing and Regions
2003 - 2009 / Ankara Emeklilik A.Ş. / Deputy General Manager
1994 - 2002 / Garanti Sigorta A.Ş. / Unit Manager Responsible for all Regions (Rumeli Regional Manager & Agencies Manager)

Tayfun Özçay / Director, Operation Management and Actuary

2006 - 2011 / Ray Sigorta A.Ş.
2001 - 2006 / Oyak A.Ş. / Smart Card Systems Director
1999 - 2001 / Garanti Bank Payment Systems / CHIP Manager
1997 - 1998 / AKbank A.Ş. / Project Leader
1994 - 1997 / Akbank A.Ş. / Data Processing Expert

Dr. Halil Yolcu / Director, Member of the Executive Board, Financial and Administrative Affairs

2010 - 2011 / Ray Sigorta A.Ş.
2007 - 2010 Finans Emeklilik A.Ş. / Financial Affairs Group Manager
2006 - 2007 / Ankara Emeklilik A.Ş. / Financial Affairs Manager
2006 - 2006 / Ankara Emeklilik A.Ş. / Financial Affairs Manager
2006 - 2006 / Oyak Emeklilik A.Ş. / Financial Affairs Manager
2000 - 2006 Vakıf Emeklilik A.Ş. / Accounting and Fund management - Director
1998 - 2000 / Toprak Sigorta A.Ş. / Financial Affairs manager
1996 - 1998 / Bayındır Hayat Sigorta A.Ş. / Financial Affairs Manager
1991 - 1996 Anadolu Sigorta A.Ş. / Asst. Senior Inspector
1990 - 1991 Impexbank / Executive Candidate

Banu Şensöz / Internal Control and Risk Management Manager

2010 - present / Ray Sigorta A.Ş.
2007 - 2009 / Finans Emeklilik ve Hayat A.Ş. / Deputy Manager for Financial Control and Planning
2006 - 2007 / Moore Stephens Turkey / Senior Auditor
2005 - 2006 / Kiska Group LTD. New York / Finance and Reporting Specialist
2000 - 2005 Consulate General of Turkey, Culture and Tourism of Turkey, NY / Accounting Expert

Mihriban Karu / Human Resources Manager

2009 - present / Ray Sigorta A.Ş.
2007 - 2009 / Efesan Group A.Ş. / Human Resources Group Manager
2002 - 2004 / Ernst & Young / Human Resources Manager
1998 - 2002 / Andersen / Human Resources Manager
1991 - 1998 / Arthur Andersen / Staff Management Expert

Auditors

Full Name	Position / Title	Date of Assignment	Educational Background	Professional Experience
Suat KAYAHAN	Auditor	03.06.2009	University Graduate / Political Sciences	2002 - present / İlk Denetim Yeminli Mali Müşavirlik LTD.Şti. 1999 - 2002 / Uzel Holding A.Ş. / Tax Audit Group Leader 1986 - 2002 / The Ministry of Finance of the Republic of Turkey / Chief Accountant
Mehmet Efendi	Auditor	04.10.2010	Doctorate / Urban and Ecological Sciences	2010 - present / SAY YMM LTD. STI. / Business Partner - Certified Public Accountant 2008 - present / Ilk Denetim YMM LTD. ŞTİ. / Business Partner - Certified Public Accountant 2008 - present / Kurumsal Vizyon YMM A.Ş. / Business Partner - Certified Public Accountant 1982 - 2007 / Turkish Court of Accounts / Senior Auditor 1981 - 1982 / Halk Bank Head Office / Exchange Officer

Internal Audit Department

No.	Full Name	Position / Title	Date of Employment	Educational Background	Professional Experience
1	Kubilay Bolayır	Internal Auditor Manager	03.05.2005	University Graduate / Finance	2005 - present / Ray Sigorta A.Ş. 2002 - 2005 / Savings Deposit Insurance Fund / Auditor in Charge 2002 / Bayındırbank A.Ş. / Auditor 2001 - 2002/ Etibank A.Ş. / Auditor 2000 - 2001/ Etibank A.Ş. / Authorized Assistant Auditor 1998 - 2000/ Etibank A.Ş. / Assistant Auditor

NAME OF SHAREHOLDER	NUMBER OF SHARES	SHARE AMOUNT (TL)	% RATE
TBIH Financial Services Group N.V.	13,304,862,688,00	133,048,626,88	%81,59
Vienna Insurance Group Wiener Staedtische Versicherung AG	2,066,352,811,00	20,663,528,11	%12,67
Other	935,770,101,00	9,357,701,01	%5,74
TOTAL	**16,306,985,600,00**	**163,069,856,00**	**%100,00**

Under the framework of the Capital Markets Law and Additional Communiqués, the document no 2191, dated 21.12.2011 issued by the Capital Markets Board of the Prime Ministry, regarding the finalization of the Capital Increase of our Company from 137,069,856 TL (One hundred thirty seven million, sixty nine thousand, eight hundred fifty six) to 163,069,856 (One hundred sixty three million, sixty nine thousand, eight hundred fifty six), which was issued within the upper limit of 200,000,000 (two hundred million), 26,000,000 (twenty six million) TL of which is paid in cash, was registered by the Istanbul Trade Register Office on 26.12.2011 and published in the Trade Registry Gazette of Turkey no 7973, dated 30.12.2011.

Vienna Insurance Group (VIG) took over the shares of TBIH Financial Services Group N.V. on 25.11.2010.

HR Practices

The value we attach to our employees and the value our employees add to our company are in a cycle, which constantly reinforces and fosters one another. Our goal is to ensure the planning, management and constant development and improvement of the human resources potential, which is directly related to the value created by the human resources within this cycle, environment, conditions, system and the potential of the system as well as releasing and shaping the available energy in line with the goals.

In line with the mission, vision and goals of our company, we implement an objective and competence-oriented recruitment and placement process, which is targeted at placing the right person to the right position, within the framework of our fundamental values. In this respect, we organize orientation and development trainings to speed up the adaptation process of the employees recruited to our corporate structure and to create required professional substructure. The “Performance Management” process, which helps the employees work in line with the corporate goals and focus on a common goal, consists of goal setting, monitoring, evaluation and feedback stages. By such a performance management process, we aim to evaluate the employees objectively, and plan the outputs of the system such as promotion, wages, development and career planning in an effective and accurate way.

The ever changing needs of our employees and customers show us in which aspect we should improve our specialties and competences. In line with such needs, we offer trainings that ensure constant development for our employees and business partners.

During the management of all these activities, the following points constitute our Human Resources policy;

- To bring up customer-oriented leaders, who can plan the present and future of our Company within the framework of our vision and fundamental values, in a strong and accurate manner,
- To act in compliance with the principle of equal opportunity, which eliminates racial, ethnic, national, religious and sexual discrimination,
- To provide a secure, transparent, participatory, flexible environment for our employees, which also allows for their constant development,
- To protect the rights and social security of our employees, and maintain the balance between professional and private lives,
- To raise productivity of our employees by means of an accurate career plan within an objective performance assessment system,
- To ensure the ultimate development of our employees through internal and external trainings in accordance with our vision and fundamental values.

Corporate Governance

1. Declaration of Compliance with the Corporate Governance Principles

Ray Sigorta A.Ş. has truly adopted the concepts of equality, transparency, accountability and responsibility of the Principles of Corporate Governance, and aims to ensure maximum compliance with those principles in all of its activities and operations. Ray Sigorta, in that regards, maintains its efforts intended for the corporate governance principles and codes of conduct.

The details of implementation of the principles are available as follows:

SECTION I - SHAREHOLDERS

2. Investor Relations Department

A department to deal with the relations with shareholders has been established. The official of this Department is Uğur Telci. ugur.telci@raysigorta.com.tr (212) 363 25 30

The primary roles of the Investors relation department are;
a) To ensure the records of shareholders are kept correctly, securely and up to date,
b) to meet the written informational inquiries of shareholders pertaining the company, except for the information which is considered to be confidential and trade secrets of the Company and is not disclosed to public,
c) To ensure that General Meetings of Shareholders are held in accordance with the current regulations, articles of incorporation and other internal regulations of the Company,
d) To prepare the documentation as may be used by the shareholders in the General Assembly Meetings,
e) To keep the records of voting and ensure the reports of results are duly forwarded to the shareholders,
f) To observe and monitor any issue and consideration in respect of public disclosure, also including the legislation and information policy of the company,

In this sense, limited number of verbal inquiries requested by the shareholders during 2011 and other questions were all responded and shareholders were provided with the related information and details, except for the details and information which are trade secrets or otherwise pose a confidential nature.

3. Exercise by Shareholders the right to Information

During 2011, the Company received limited number of direct inquiries form the shareholders. All of these inquiries from the shareholders during 2011 were duly responded. The shareholders were informed about the company through the Material Disclosures made to the Istanbul Stock Exchange (ISE) in accordance with the Communiqué of the Capital Markets Board. All such disclosures are accessible on the official website of the Company. While the articles of association contains and/or provides no right to assign special auditor, the shareholders, who hold 5% or more of the company shares may exercise such right in accordance with the Turkish Commercial Code. However, no such request or demand has been voiced up until now.

4. General Assembly Details

The Ordinary Shareholders Meeting within the current period was held on April 12, 2011. Notice of the meeting was duly published on Milliyet, Radikal, two daily newspapers and the Turkish Trade Registry Gazette, which are available nationwide, in accordance with the articles of association. Besides, notice of meeting by the Board of Directors in respect of the General Assembly was provided to the shareholders with registered shares within the due period in line with the relevant provisions prescribed by the Turkish Trade Code.

The documentation prepared and issued for the Ordinary General Assembly, Annual Report 2010, auditor's report and proposal by the board of directors for the operating profit of 2010 were kept at the disposal of our esteemed shareholders fifteen days prior to the date of General Assembly meeting.

No proposal was received from the shareholders during the General Assembly Meeting. Open ballot voting was preferred during the General Assembly meeting. Meeting quorum for the resolutions adopted during the General Assembly meeting is subject to the related provisions of the Turkish Trade Code, and the meeting quorum was reached by 94%.

General Assembly minutes were made available at the head office for the purpose of ensuring the availability of such minutes to the shareholders who might possibly request. The Articles of Association of the Company contain no article and/or clause anticipating that resolutions on issues such as selling, purchasing, leasing/renting considerable amount of assets should be adopted by the General Assembly.

5. Voting Rights and Minority Rights

There is no privilege whatsoever on any of the company shares. The shareholders made no request or demand with regard to representation of minority shares in the administration. There is no exercise of cumulative voting.

6. Dividend Policy and Time of Payments Thereof

There is no privilege whatsoever as to Company's profit sharing. While there is no dividend policy disclosed to the public other than the principles and guidelines prescribed under the Company's articles of association, the Board of Directors shall observe and consider the precise balance between the expectations of the shareholders and growth requirement of the Company when submitting profit distribution proposals for the approval of the General Assembly. The relevant footnotes within the periodical financial statements and independent auditor's reports submitted to the ISE (Istanbul Stock Exchange) duly indicate that the profit distribution is conducted in accordance with the Turkish Trade Code and current legislation of the Capital Markets Board. Company's articles of association include no regulation and/or arrangement intended for the distribution of dividend advance.

7. Transfer of Shares

Pursuant to the Company's articles of association, "Acquiring of the shares representing 10% or more of the company capital stocks by any real or legal entity, and share acquisitions which cause the shares of any shareholder to exceed 10%, 20%, 33% or 50% of the Company Capital shall be subject to the proper permission of the Turkish Undersecretariat of Treasury. Records made to the stock register in contradiction to this clause shall be null and void. Acquisition of usufruct and voting right shall also be governed by the provisions of the above paragraph.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy of the Company

The purpose of Company's Disclosure Policy is to ensure accurate and complete information of the public in a comprehensible fashion about financial and non-financial details of the Company, except for the trade secrets and other details and information posing a confidential nature and not yet disclosed to the public.

The following are authorized and responsible staff members for the Company's
Disclosure Policy;

Name - Title - Phone - E-mail
Levelnt Şişmanoğlu
General Manager (212) 363 26 46
levent.sismanoglu@raysigorta.com.tr

Koray Erdoğan
Director for Financial and Administrative Affairs
(212) 363 25 24 - koray.erdogan@raysigorta.com.tr

9. Material Disclosures

Our Company announced and made 25 public disclosures within 2011. No additional statement or clarification has been requested by the Capital Markets Board or ISE in respect of the material disclosures, and all material disclosures are made in a timely fashion. The Company has no shares quoted for foreign stock exchanges.

10. Corporate Website and its content

The website of the company is accessible at (www.raysigorta.com.tr). The "Investor Relations" section on the website contains the shareholding structure, mission, vision and values, List of Board of Directors, Articles of Association, Financial Statements and Independent Auditor's Reports, General Assembly Meetings and other related information and details about our Annual Reports, and Material Disclosures are also accessible. The website address is available on the company headed papers.

11. Real Person Ultimate Shareholders

The company's controlling ultimate shareholders include no real

person. Also, the footnotes announced quarterly on Istanbul Stock Exchange contain up-to-date information and data about the shareholding structure of our company.

12. Insider Access

The members of the Board of Directors, Auditors, Assistant General managers, Directors, Directors for Financial and Administrative Affairs, the International Control manager, Internal Auditing Manager and all staff members of the said units/departments as well as natural and legal entities which might possible have access to (confidential) information during their period of duty owing to their profession or area of activities may not use such information and details of confidential nature for the interest of themselves of other third parties.

SECTION III - STAKEHOLDERS

13. Information to Stakeholders

The shareholders, investors, financial organizations and suppliers of the company, being the beneficiaries, have access to the related information and details about the Company in addition to public disclosures, legal arrangements and material event disclosures.

14. Stakeholders' Participation to the Company Management

The Company's articles of association contain no regulation or arrangement which suggests the stakeholders' participation to the management of the company.

15. Human Resources Policy

Human Resources Policy of our Company is built upon the following primary principles:

- Human Resources must be free from discrimination of race, ethnic origin, nationality, religion and sex; equal opportunities must be offered to the people of equal qualifications; promotion and wages must be based upon performance and productivity and open door policy must be followed.
- Managers must be those who are equipped with professional qualifications required for performing duties and tasks assigned.
- A safe and healthy working environment must be provided for the employees at the workplace and they must be provided with the opportunity of career development.

The human resources department of our company works and maintains its efforts in accordance with the aforementioned principles. The details about our human resources policy are available under the codes of conduct as disclosed to the public. The company has unveiled a practice of assigning and deploying representatives for establishing and maintaining relationships with the company employees. No employee has filed a discrimination complaint up until now.

16. Information about Customers and Suppliers

Ray Sigorta's primary area of activity is insurance, and customers are our agencies and insured clients. Corporate relations with agencies are maintained by the Sales and Marketing Directors, in particular, and by all other technical departments and by Managers personally. Policy production of the agencies is provided through the real-time on-line insurance software. Our Agencies may also receive service from the Cyprus Branch and regional offices of Bosporus, Anatolia, Thrace, Central Anatolia, Aegean, Southeastern Anatolia and Marmara region. The Company prefers providing agencies with services available through web-based and mobile applications in order to reduce agency costs, enhance the communication speed and to render uninterrupted services.

Our agencies may easily follow up their portfolios and review their collections and claims on the basis of policy and claim file via the web-portal and (**www.rayportal.com.tr**). Each notice of claim is communicated to the Agencies daily on the electronic environment. Missing documentary information of claim files are forwarded to the agencies on electronic environment for follow-up purposes three times in a week. Such information and details ensure the information of the Agencies about the claims files and provide assistance thereto.

The insured clients may access the details of their claims pertaining to MTPL and CASCO insurances through the official website of the company. Also, the insured clients are informed via SMS and e-mails. If the insured clients provided their cell phone numbers and e-mail addresses, the insured clients may also be reminded of termination date of policies as well as agency phone numbers for calling purposes.

The insured client, if she will, may inquire the claim files of MTPL and CASCO insurances all around the world on seven day twenty four hours basis via SMS.
Ray Sigorta is committed to provide services, which will therefore increase the quality of life of the insured clients, in addition to insurance coverage in individual policies. For that purpose, the insured clients are provided assistance services since 1997. The scope of the assistance service and quantity of the products covering assistance is increased constantly in line with the needs of the insured. Ray Club services, under the scope of which assistance services are provided, have become a considerable brand in the industry.

The insured clients may communicate to the Company any complaints thereof in respect of the pre-sale and after sale processes as well as possible demands, appreciations, opinions, suggestions, enquiries via e-mail, mail and fax or via the official website of the company through filling out the form. All such complaints, demands, opinions, suggestions and other enquiries are first directed to the Customer Satisfaction Department and then communicated to the relevant departments and response time of such issues are monitored.

The Customer Satisfaction Department ensures the information of the insured clients of possible solution by the related departments, all related correspondences are recorded, secured and the Senior Management is reported monthly on the matter. The relations with the suppliers are established and maintained in accordance with the needs and interests of the company, and purchasing transactions are governed by the internal procedures duly approved by the Board of Directors.

17. Social Responsibility

Ray Sigorta, during conducting its activities and operations, observes its responsibility on preventing environmental pollution and preservation of natural resources. There is no lawsuit filed against the Company during the period due to any damage to the environment.

SECTION IV - BOARD OF DIRECTORS

Members of the Board of Directors

Member / Position
Karl Fink
Chairman

Martin Simhandl
Deputy Chairman

Vladimir Mraz
Member and Member of the Supervisory Board

Hüsniye Çiğdem Çadırcı Copikoğlu
Member and Member of the Supervisory Board

Mehmet Levent Şişmanoğlu
Member and General Manager

18. Structure, Formation and Independent Members of the Board of Directors

The Chairman of the Board and the General Manager positions are held by different persons in the Company. Article 15 of the Articles of Association specify and suggest that term of office of the Board Members may be 3 years at the most and that Board Members may be elected once in 3 years by the General Assembly. The Insurance Law no 5684 regulates that "Boards of Directors of Insurance and Reinsurance Companies may not be less than five members including the General Manager, and auditors may not be less than two persons, and General Manager shall be the natural member of the Board of Directors". The activities and the administration of the Company shall be carried out and performed by a Board of Directors, which shall be composed of at least five (5) but at most nine (9) members to be elected among the shareholders by the General Assembly as per the provisions of the Turkish Trade Code.

19. Qualifications of the Members of the Board of Directors

The qualifications of the members of the board of directors of the company are in full compliance with the conditions and requirements as prescribed by the Insurance Law 5684. No provision is provided under the Company's articles of association in respect of the qualifications of the members of the board of the directors; nevertheless, members of the board of directors are expected to have the following qualifications in accordance with the said law:

- The majority of the members should be graduates of four years of higher education and be equipped with at least three years of experience in the field of insurance, economics, business administration, accounting, law, finance, mathematics, statics, actuary or engineering.

Pursuant to the said law; the founders of the company are required and expected to

- Have not declared bankruptcy or arrangement of bankruptcy,
- Have the financial power and respect as suggested for being the founder or partner of an insurance or reinsurance company,
- Not have the voting right or not be the shareholder as holder of ten percent or more of the direct or indirect of capital of the company, or holder of shares, even lesser ratios, which grant the privilege to designate members of the auditing and management boards, which may be considerable for the auditing and management in the Financial Institutions subjected to liquidation and/or companies for which second and third paragraphs of the Article 20 are applicable,
- Excluding negligent offenses, even if having granted a pardon, not to have been given a sentence of imprisonment for any period of time nor to have been given a sentence of imprisonment or of judicial fine more than once due to actions in contradiction with the legislation of insurance, or with whatever consequence punishment, not to have been sentenced due to infamous crimes such as simple and qualified embezzlement, corruption, bribery, thievery, fraudulency, forgery, betrayal of trust, fraudulent bankruptcy, professional misconduct, and other crimes such as smuggling activities, rigging state auctions and procurements, clearing assets obtained through crimes, betraying the State secrets or tax evasion.

While the Company's articles of association contain no other provision in respect of the qualifications of the members of the board of directors; the members of the board of directors are expected to:

- Have required knowledge and experience in the areas of operation of the Company, and have management experience,
- Have required skill to read and analyze financial statements and reports,
- Have basic knowledge about the legal arrangements, to which the company is subject,
- Have the willpower and opportunity to participate in the general meetings,

20. Mission, Vision and Strategic Goals of the Company

The mission of our company is to improve our existing insurance knowledge, product infrastructure, reliable service, strong technology and human resources constantly with an innovative approach and to be a preferred company bringing values to the customers, business partners, shareholders and employees.

Our Agencies and Brokers are the most valuable partners to our company and will receive the highest service level in the insurance industry. Ray Sigorta's vision is to evolve into a value-creating and leading insurance company. Also, to be one of the Top 5 companies of the non-life insurance sector until 2015.

The strategic goals created and set by the managers in line with the corporate plans are submitted for the approval of the board of directors for assessment purposes. Whether or not the company has achieved the goals set are evaluated during the meetings held by the board of directors, the operational results of the Company and related performance are reviewed by studying into the detailed reports prepared.

21. Risk Management and Internal Control Mechanism

The "Regulation no 26913 on the Internal Systems of the Insurance, Reinsurance and Pension Companies", dated June 21, 2008 as issued by the Republic of Turkey, Undersecretariat of Treasury, sets out and regulates the procedures and principles on the operations and mechanism of the Internal Control, Risk Management and Internal Auditing systems to be created within the insurance and reinsurance companies, which are established in Turkey, other insurance and reinsurance companies established abroad but having branches in Turkey, the pension companies.

According to this regulation, the companies are responsible for establishing, running and developing adequate and effective internal systems in conformity with the scope of activities and structure thereof and with the changing conditions and in accordance with the principles and procedures anticipated under the regulations brought into effect by all regional directors and departments. The Internal Control and Risk Management Department is responsible for and conducts risk management activities, which ensure proper completion, measurement, follow-up and control of the risks suffered, by means of policies and procedures and limitations set out for monitoring and controlling the risk and income structure brought along with the internal control activities and future cash flows of the company and therefore, the nature and level of the activities, intended for the effective, adequate proper functioning and development of the internal control system in accordance with the said regulation.

22. Powers and Responsibilities of the Members of the Board of Directors and Executive Staff

As provided under the articles of association of the Company, the Board of Directors acts as the managing and representing organ of the company. The individuals authorized to represent and bind the company and limitations of the powers thereof shall be determined by the board of directors and duly registered and announced. Roles, duties and responsibilities of the Board of Directors are described under the Company's articles of Association.

23. Principles of Operating of the Board of Directors

Pursuant to article 16 of the Articles of Association, the Board of Directors shall hold meetings as required by the course of business and Company affairs, however, such meetings must be held at least once in three months as prescribed in the law.

Meetings shall be held in the head office of the company. Nonetheless, the meetings may be held at some other locations upon the proper resolution of the Board of Directors. The works and issues to be discussed during such meetings shall be notified to the members under an agenda prior to the date of meeting.

The ordinary agenda of the Board of Directors consists of the following items;

- The payment status of the public debts pertaining to the previous month
- Operating results of the previous month
- Economic developments
- Developments related to legislations (tax legislation etc.)
- Overall performance of the company
- Financial status of the Company
- Wage policies in respect of the personnel
- Discussion and review of audit reports
- Discussion of the budget and the business plans

As all the resolutions as may be adopted during the meetings of the board of directors have been adopted unanimously so far, there has been no need for any negative vote on any issue, about which dissenting opinions were voiced. Besides, the members, who are constantly in contact for exchange of ideas, have not directed any inquiries to the board, which is required to be recorded under the minutes of the meetings. There is neither right of weighted vote nor negative veto granted to the members of the Board of Directors.

24. Restraint of Trade and Non-Competition

Excluding the matters prohibited by the Turkish Commercial Code, the proper permission of the Board of Directors is obtained for ensuring the members of the Board of Directors to perform the procedures and transactions as specified under the articles 334 and 335 of the Turkish Commercial Code.

25. Number, Structure and Independence of the Committees formed under the Board of Directors

With a view to ensure that the Board of Directors fulfills the functions and responsibilities thereof in a proper fashion a committee responsible for the auditing practices (Auditing Committee) has been formed in accordance with current legislation of the Capital Markets Board. The members of the Auditing Committee are persons equipped with qualifications as required by their duties and roles, and are selected among the members of the Board of Directors, who have no executive function and are not executive directors. The Chairman of the Auditing Committee (also responsible for the internal systems) is a non-executive member of the Board of Directors.

The Auditing Board acts in compliance with the procedures and principles on the working of the committee as set forth under the "Auditing Committee Regulation". The Committee holds at least 4 meetings in a year and submits the resolutions adopted during such meetings to the Board of Directors in written form. We maintain our efforts and works on the establishment of a Corporate Management Committee.

26. Financial Rights Granted to the Board of Directors

As provided under the Company's articles of association, the attendee fees and other allowances paid to the members of the Board of Directors with such capacity are determined by the General Assembly.

Overall company performance is duly taken into consideration for determining the financial rights (remuneration) of the Board of Directors.

Members of the Board of Directors do not use any cash or non-cash loans from the company directly or indirectly, and no guarantees such as undertaking etc. are given in favor of the members.

Risk Management And Internal Control Activities

Pursuant to “the Regulation on the Internal Systems of the Insurance, Reinsurance and Pension companies, a member has been assigned in the Company’s Board of Directors, who will be responsible for the Internal Systems, also covering the Risk Management and Internal Control systems.

Besides, a Corporate Risk Management Committee has been created under the chair of the General Manager and in coordination with the Risk Management and Internal Control Manager so as to observe the effectiveness of the practices of the risk management process, and to adopt common decisions in respect of the risk profile, risk strategy of the Company as well as the risk level and risk limitations tolerable by the Company.

The Risk Management Activities are intended to integrate the Risk Management System into the existing functions and processes of the company, and to ensure its implementation throughout the company as well as to protect the capital structure, ensure efficient and productive capital management, proper management of the risks identified on the way to achieving company goals, to reinforce planning and decision-making processes and enhance the added value of the activities by means of creating a risk culture throughout the company.

In line with these goals, the risk management activities of our Company are conducted in accordance with the below-given criteria by the Risk Management and Internal Control Department in compliance with the legal arrangements.

- To identify risk management policies and procedures of implementation on the basis of risk management strategies,
- To ensure the implementation of risk management and other procedures of implementation as well as the compliance therewith,
- To ensure the clarification of the risks and ensure that adequate assessment is made before taking any actions in relation thereto,
- To participate in the process of designing, choosing and activating risk measurement models and providing preliminary approval as well as to regularly review such models and apply required changes thereto,
- To produce reports out of the risk measurement models used by the company and to analyze such reports,
- To ensure that the risks, which allow digitizing, remain within the identified limits and to monitor the use of such reports,
- To monitor the compliance with identified limits throughout the whole company through aggregation of identified limits on the basis of each risk,
- To ensure timely and regular reporting of the results of risk measurement and risk monitoring to the Board of Directors or the official responsible for the relevant internal systems and to the General Manager.

All internal processes of our company are reviewed and work flow charts are revised, process-specific risk and control points are identified and sufficiency of the controls are tested by the Internal Control and Risk Management department within the scope of the risk management and internal control activities for the purpose of improving the existing internal control system and of running the operational risk management process of our company. The work flows are revised in line with the in-process control matrix and risk map created in accordance with the results of the process-specific risks and related controls. Documentation, findings and recommendations developed in relation to each process are communicated to the process owners and management body of the company.

Transactions Conducted with the Risk Group We are Involved

The Company, throughout all insurance transactions and operations conducted with the risk group and companies it is involved, applies the procedures and policies applied to other third parties. The information and details about the transactions with the risk group, which the company is involved, are available in detail under the footnotes no 12.2 and 45.

Report Of The Supervisory Board Regarding Compliance With The Regulation On The Laundering Of Proceeds Of Crime And Prevention Of Terrorism Financing

The “Regulation on Measures Regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism” were published for the implementation of Law no. 5549 on Prevention of Laundering of Proceeds of Crime, dated 11/10/2006 by the Financial Crimes Investigation Board. “Bases for Identification Obligation and “Bases for Suspicious Transactions and Announcement” are provided under the related Regulation.

All required details and explanations are provided under the Corporate Policy on Financial Crimes of Ray Sigorta A.Ş.

In line with the bases regarding Identification Obligation, retroactive operations were performed and compliance with the related legislation was ensured by our Company. The monetary limit required for identification of foreign real and legal persons is removed, and the legal limits with respect to other real and legal persons are maintained. It is controlled whether or not identification transactions may be ensured properly under a periodic follow-up.

Our Company, which believes in the importance and continuity of information in the industrial field, provides computer-based distance learning in respect of facilitating information access and achieving currency. Accordingly, under the scope of “Program for Compliance with the Obligations with respect to the Laundering of Proceeds of Crime and Prevention of Terrorism Financing”, the e-learning program was communicated to our staff members and agencies, participation to the training and measurement process was made obligatory for all staff members and agencies.

Works were carried out with the information technology and technical staff members in terms of ensuring risk analysis and reporting.

AUDIT REPORT OF THE BOARD OF AUDITORS

Information about the Company;	Trade Name	: RAY SIGORTA A.S. (RAY INSURANCE INC.CO.)	
	Registered Office	: ISTANBUL	
	Capital	: TL 163.069.856.-	
	Scope of Activities	: Insurance Business	
Information about the Auditors:	Full Name	: Suat KAYAHAN	Mehmet EFENDI
	Term of Office	: Three Years	Three Years
	Shareholding Status	: Non-Shareholder	Non-Shareholder

Number of Meetings of the Board of Directors and the Board of Auditors : **The auditors have attended five meetings.**

The scope and the dates of the audits performed on the accounts, books and the documents of the Company, and the conclusion reached : **The books of RAY SIGORTA A.Ş. (RAY INSURANCE INC. CO.) were audited by our party at various dates and before the closing of the accounts of the end of the year 2011, and no matters which is required to be commented were seen or observed.**

The counting (inventory) performed observed at the treasury of the Company in quarterly accordance with the 3rd sub-paragraph of the 1st paragraph of Article 53 of the Turkish Trade Code, and the outcomes thereof : **No matters to be commented were seen or as a consequence of the scrutiny performed by our party.**

The dates of the audits performed in accordance with the 4th sub-paragraph of the 1st paragraph of Article 53 of the Turkish Trade Code, and the outcomes thereof : **As a consequence of the scrutiny which has been performed on monthly basis by our party, it was seen and detected that any and all kinds of negotiable instruments (commercial papers) were recorded and available together with the pledges and guarantees thereto.**

The complaints and the corruptions communicated or received and the proceedings performed for and against those : **There have been no complaints or corruptions either communicated or received.**

We have reviewed the accounting year 01.01.2011-31.12.2011 and the transaction thereto, of RAY SIGORTA A.Ş. (RAY INSURANCE INC. CO.) in accordance with the Turkish Trade Code, the Articles of Association of the Company and the other legislation thereto and the generally accepted and recognized accounting principles and standards.

In our opinion, the attached Balance Sheet, issued as of 31.12.2011, upon which the auditing was based, demonstrates the actual financial status of the Company on the said date, and the Statement of Loss and Profit for the fiscal year between the dates 01.01.2011 - 31.12.2011 indicates the actual operating results of the Company on the mentioned period and the proposal regarding the profit - loss of the accounting year is in compliance to the laws and the Articles of Association of the Company.

Therefore, we kindly submit the Balance Sheet and the Statement of Loss and Profit for your approval and request the Members of the Board of Directors to be acquitted.

Auditors

Suat KAYAHAN

Mehmet EFENDI

Internal Audit

Pursuant to the article 3 of the Regulation on Making Amendments to the Regulation on the Establishment and Operating Principles of Insurance and Reinsurance Companies, which took effect upon publication by the Undersecretariat of Treasury on the Official Gazette no 25359, dated January 27, 2004, an Internal Audit Department was created within the organization of our Company, and the department commenced its operations. In accordance with the Regulation on the Internal Systems of the Insurance, Reinsurance and Pension Companies, which was brought into effect upon publication by the Undersecretariat of Treasury on the Official Gazette no 26913, dated June 21, 2008, the establishment, development as well as the principles and procedures relating to the operation thereof were revised comprehensively.

In this sense, the activities and operations conducted by the Internal Audit Department of Ray Sigorta A.S. are intended to provide a guarantee that the operations of Ray Sigorta are performed line with applicable laws, other relevant legislations and internal strategies, policies, principles and goals, and to assess and develop the efficiency of the management, control and risk management processes of the company.

A systematic, sustained and disciplined approach in line with the generally accepted auditing standards in addition to the current legal arrangements set the framework of the Internal Auditing activities. Within this framework, it is intended to assess and guide whether resources of the company are managed in accordance with the principles of economy, efficiency and productivity and thusly, to ensure an independent and objective assurance to add value to the activities of the Company and to perform counseling activities. The scope of internal auditing activities covers all the activities of the head office, regional directorates, representation offices and agencies. The Internal Auditing Department directly reports to the Board of Directors of the Company pursuant to the functional independency principle. The Auditing reports prepared and so issued in consequence of the activities developed in line with the risk-based auditing plan are submitted to the Board of Directors and the senior management. In respect of the opinions and recommendations brought along with such reports, actions that need to be taken by the Company are pursued regularly by the Internal Auditing Department.
The Internal Auditing Department of Ray Sigorta A.S. participates in the sectoral training activities in the field of internal auditing so as to ensure professional development, and takes part in the professional certification programs. The purpose, scope and standards of the Internal Auditing as well as the duty, power, responsibility, structure, activities and working principles of the Internal Auditing Department of Ray Sigorta A.S. are provided under the Regulation on Internal Auditing.

In 2011, actions were taken by the Directorate General, Regional Directorates and Agencies in respect of the sufficiency of the internal control and risk management practices, the reliability of the records, reporting as well as information systems, and our related evaluations, opinions and suggestions are provided under the reports.

Risk Management Policies

The risks assessed in the measurements and modeling used in the risk management process of the company are as follows:

1. Insurance Risk

The risks in connection with the insurance contracts are the inability to exactly know the possibility of occurrence of the event, being the subject of the insurance, as well as the amount of claim to result therefrom. By nature of the insurance contracts, the risk in question is incidental and therefore, it cannot be estimated exactly.

When considered on the basis of branches and/or segments, the most significant criteria for determining risks for the motor vehicle casualty insurance are the factors such as: type and age of the vehicle, the intended use, service costs, profession, age and gender of the owner. In respect of other casualty insurances, we may speak of three areas. These are risks included in the scope of liability insurance, personal casualty and casualty insurances. The important aspects for determining the risks of liability are the scope of insurance, annual turnover, risk types, statistical information pertinent to the previous years, scope and similar factors specific to the region. The criteria that need to be taken into consideration before determining the risks for the cargo insurances may be enumerated as stocks and product/goods types, type of vessel and the transporter and information and details about from and to where the goods are transported. In respect of hull insurances, risks are generally determined and explained by the general management. The reason why this methodology is appropriate is that usages are few and risk determination is specific. Fire insurances may be evaluated under two separate categories as the industrial and personal fire insurances. The insured physical loss and fire are secured and guaranteed against damages due to any lighting, explosion or any other reason included in the policy. Insurance risk acceptance criteria are aligned with the contracted articles and market conditions. Engineering insurances are assessed as contracts covering permanent risks and such other risks of provisional nature that are not chronic. In the first group, the mechanic and electronic equipment and unexpected sudden losses are taken into consideration. As for the second group, the scope of the contract is limited with the warranty period. The insuring is aligned with market conditions, risk acceptance criteria and the articles under the agreement articles.

The most important risk for the Company in respect of insurance contracts is the possibility that paid claim and compensations realize more than allocated reserves. Ray Sigorta determines the underwriting in line with the type of accepted insurance risks and claims incurred. The Company manages the said risks by the underwriting strategy embodied and reinsurance agreements, to which the company is a party considering all branches.

2. Financial Risks

The primary components of financial risk are market risk (including the currency, risk, market value interest rate risk, cash flow risk and price risk), the credit risk and the liquidity risk. Financial risk management activities of the Company concentrate on the variability of the financial markets and minimizing possible negative impacts thereof on the financial performance of the Company. Financial risk management is handled by the Company management in line with the procedures and limits approved by the Board of Directors

(a) Market Risk

i. Interest Rate Risk
The interest rate risk refers to the risk that may be faced as a result of possible changes to occur in the interest rate; such risk may affect the expected return on any investment negatively or positively or may be influential on the borrowings by the company. The interest rate directly affects the cash flows to be gained at the end of the maturity date or to be exported. Ray Sigorta manages such interest rate risk in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

ii. Currency risk
Ray Sigorta A.S. (Ray Insurance Inc.) incurs currency risk which arises from the fluctuations at the foreign exchange rate due to the translation of its receivables and debts in foreign currencies to Turkish Liras. Such risks are being monitored and limited by analyzing the foreign exchange exposure. Ray Sigorta manages such interest rate risk in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

iii. Price risk
Price risk refers to a negative change to the current market value of a security with a fixed interest depending on the changes on the market interest rates.
Ray Sigorta manages such price risks in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

(b) Credit Risk

The ownership of financial assets bears the risk of default by the other party to fulfill the terms and conditions of the contract. The credit risk of Ray Sigorta A.S. (Ray Insurance Inc.) arises from cash and cash equivalents and bank deposits, financial instruments, the reinsurance shares due from the insurance business liabilities, receivables from the reinsurance companies and the premium receivables due from the insured and the intermediary firms/agents.

Ray Sigorta follows and limits the credit risk of the financial assets that are classified as credits and receivables, and the receivables resulting from insurance activities (including reinsurance receivables) by the procedures implemented for the received guarantees and for selecting of the counter party.

(c) Liquidity Risk

The liquidity risk is the risk of inability of a company to meet its funding needs.

Ray Sigorta manages the liquidity risk through performing a continuous follow-up on the sum and term inconsistencies between the liabilities and assets.

3- Strategic Risks

Strategic risk refers to the threat and risk faced by the company in accomplishing its goals.

The Company manages its strategic risks at the level of the Board of Directors under the strategic planning and by aligning the risk management policies and procedures created within the company in accordance with the corporate goals.

4- Operational Risks

Operational risks refer to direct or indirect damages to be suffered, as may result from human, system, process and external factors. Our company manages its operational risks through considering risk-based process examination results and past operational risk data as part of the internal control activities and through developing effective controls throughout the company in line therewith.

Brief Financial Information

BRIEF FINANCIAL STATEMENTS	2011	2010
Total Assets	305.929.724	264.588.283
Paid-In Capital	163.069.856	137.069.856
Equities	86.461.101	51.511.338
Premiums Underwritten	252.962.810	252.374.228
Premiums Earned - Net	137.096.909	145.820.757
Claims Incurred - Net	-97.147.093	-121.998.656
Other Technical Income / Expense - Net	-1.497.471	-3.370.004
Operational Costs	-41.408.620	-44.846.984
Changes on Other Technical Provisions	-951.179	-853.035
Investment Return Transferred to Technical Department	5.772.414	5.043.641
Technical Department Balance	1.864.960	-20.204.281
Net Profit / Loss	**340.377**	**-28.598.213**

OUR FINANCIAL STRUCTURE

(THOUSAND TL)	Premium Underwritten		Change %	Share %	
	2010	2011		2010	2011
FIRE	48,512	54,808	13 %	19,2 %	21,7 %
TCIP	8,061	5,270	-34,6 %	3,2 %	2,1 %
TRANSPORTATION	22,076	21,965	-0,5 %	8,7 %	8,7 %
CASUALTY	138,273	126,263	-8,7 %	54,8%	49,9%
ENGINEERING	31,878	33,681	5,7 %	12,6%	13,3%
AGRICULTURE	271	6,191	181,9 %	0,1%	2,4%
HEALTH	3,302	4,785	44,9 %	1,3%	1,9%
TOTAL	**252,374**	**252,963**	**0,2 %**	**100,0%**	**100,0%**

(THOUSAND TL)	Retention Premium		Change %	Retention Rate %	
	2010	2011		2010	2011
FIRE	12,096	9,836	-18,7 %	24,9 %	17,9 %
TCIP	0	0	0,0 %	0,0 %	0,0 %
TRANSPORTATION	6,922	8,323	20,2 %	31,4 %	37,9 %
CASUALTY	113,660	111,183	-2,2 %	82,2 %	88,1 %
ENGINEERING	4,311	5,716	32,6 %	13,5 %	17,0 %
AGRICULTURE	0	0	0,0 %	0,0 %	0,0 %
HEALTH	300	816	172,3 %	0,0 %	0,0 %
TOTAL	**137,288**	**135,874**	**-1,0 %**	**54,4 %**	**53,7 %**

	Claims Incurred (Net)		Premiums Earned (Net)		Loss Ratio (Net)	
(THOUSAND TL)	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**
FIRE	4,910	6,084	10,959	11,171	44,8 %	54,5 %
TCIP	0	0	0	0	0,0 %	0,0 %
TRANSPORTATION	1,290	1,332	6,657	8,135	19,4 %	16,4 %
CASUALTY	114,105	86,187	123,045	111,306	92,7 %	78,5 %
ENGINEERING	1,674	2,805	5,108	5,670	32,8 %	49,5 %
AGRICULTURE	0	0	0	0	0,0 %	0,0 %
HEALTH	20	739	52	815	41,2 %	90,7 %
TOTAL	**121,999**	**97,147**	**145,821**	**137.097**	**83,7 %**	**71,7 %**

	Technical Department Balance		Technical Department / Premiums Underwritten	
(THOUSAND TL)	**2010**	**2011**	**2010**	**2011**
FIRE	1.439	-21	3,0 %	0,0 %
TCIP	-723	-455	-9,0 %	-8,6 %
TRANSPORTATION	5.934	7.563	26,9 %	34,4 %
CASUALTY	-34.228	-11.163	-24,8 %	-8,8 %
ENGINEERING	7.305	5.556	22,9 %	16,5 %
AGRICULTURE	1	390	0,4 %	6,3 %
HEALTH	68	-5	2,1 %	-0,1%
TOTAL	**-20.204**	**1.865**	**-8,0 %**	**0,7 %**

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2011 AND THE INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT OF
RAY SİGORTA A.Ş.
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2011
(ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Ray Sigorta A.Ş.,

1. We have audited the accompanying balance sheet of Ray Sigorta A.Ş. (the "Company") as of 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards as set out in Turkish Insurance Legislation (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 Ray Sigorta A.Ş as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards as set out in the insurance legislation (Note 2).

Emphasis of Matter

5. The financial statements of the Company, as of 31 December 2010 were audited by another independent auditor whose report dated 11 March 2011 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

Talar Gül, SMMM
Partner

Istanbul, 14 March 2012

RAY SİGORTA
VIENNA INSURANCE GROUP

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

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

Ray Sigorta A.Ş.

İstanbul, 14 March 2012

M.Levent ŞİŞMANOĞLU	Koray ERDOĞAN	Özlem ÇAYDAŞI	Suat KAYAHAN	Dr. Mehmet EFENDİ	Banu GÖNENÇ
Member of Board of Directors, General Manager	Member of Executive Board Director of Financial and Administrative Affairs	Accounting Manager	Member of the Supervisory Board	Member of the Supervisory Board	Actuary

CONVENIENCE TRANSLATION OF THE COMPLIANCE OPINION ON THE ANNUAL REPORT PRESENTED TO THE GENERAL ASSEMBLY

To the General Assembly of
Ray Sigorta A.Ş.,

We have been assigned to audit the accompanying annual report prepared to be presented to the General Assembly of Ray Group Sigorta A.Ş. ("the Company") as of 31 December 2011. Management is responsible for the preparation of the annual report subject to the audit report. Our responsibility, as the independent auditor of the Company, is to express an opinion on the compliance of the financial information included in the annual report with respect to the audited financial statements subject to our independent audit report dated 14 March 2012.

We conducted our audit in accordance with the regulations related to the principles on the preparation and publication of annual reports as set out in accordance with the Insurance Law numbered 5684. Those regulations require that we perform the audit to obtain reasonable assurance whether the financial information included in annual report is free from material misstatement with respect to the audited financial statements. We believe that the audit we have performed is sufficient and appropriate to provide a basis for our compliance opinion.

In our opinion, the financial information included in the accompanying annual report comply, in all material respects, with the information included in audited financial statements of Ray Sigorta A.Ş. as of 31 December 2011.

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

Talar Gül, SMMM
Partner

Istanbul, 11 June 2012

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RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2011	Audited 31 December 2010
I- Current Assets			
A- Cash and Cash Equivalents	**14**	**134.997.227**	**111.036.659**
1- Cash	2.12 and 14	31.336	30.196
2- Cheques received	14	2.530	73.411
3- Banks	2.12 and 14	119.443.638	99.956.129
4- Cheques Given and Payment Orders (-)		-	-
5- Other Cash and Cash Equivalents	2.12, 14 and 47.1	15.519.723	10.976.923
B- Financial Assets and Financial Investments at Insurees' Risk	**2.8**	**1.968.331**	**-**
1- Available for Sale Investments		-	-
2- Held to Maturity Investments		-	-
3- Held for Trading Investments	2.8 and 11	1.968.331	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Insuree's Risk		-	-
7- Company's Shares		-	-
8- Provision for impairment of financial assets (-)		-	-
C- Receivables from Operations	**2.8, 11.1 and 12.1**	**109.753.890**	**102.363.417**
1- Due from Insurance Operations	12.1 and 12.5	111.013.310	103.724.423
2- Provision for Due from Insurance Operations (-)	12.1 and 12.5	(1.268.633)	(1.370.219)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Reserves	12.1	9.213	9.213
6- Due from Related Parties		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Fund Operations		-	-
9- Doubtful Receivables from Main Operations	12.1	32.356.105	26.730.400
10- Provision for Doubtful Receivables from Main Operations (-)		(32.356.105)	(26.730.400)
D- Due from Related Parties		**80.725**	**41.289**
1- Due from Shareholders		-	-
2- Due from Subsidiaries		-	-
3- Due from Equity Investments		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		80.725	41.289
6- Loans to Insurees		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		**2.445.221**	**2.011.719**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		150.736	142.961
4- Other Receivables	47.1	2.294.485	1.868.758
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		**19.819.033**	**18.749.509**
1- Prepaid Expenses	17.15 - 17.19	19.819.033	18.749.509
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses and Income Accruals		-	-
G- Other Current Assets		**1.335.694**	**911.204**
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds	2.18 and 35	1.335.694	911.204
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**270.400.121**	**235.113.797**

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2011	Audited 31 December 2010
II- Non-Current Assets			
A- Receivables from Operations		**-**	**-**
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Reserves		-	-
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Fund Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Subsidiaries		-	-
3- Due from Equity Investments		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**45.2**	**125.125**	**130.565**
1- Investment Securities	45.2	125.125	130.565
2- Associates		-	-
3- Associates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint-Ventures		-	-
7- Joint-Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	**2.5 and 6**	**34.231.107**	**24.779.846**
1- Investment Property		-	-
2- Provision for Impairment in Value of Investment Property (-)		-	-
3- Property for Operational Use	6	32.599.305	23.739.635
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	2.986.299	7.173.225
6- Motor Vehicles	6	545.689	495.607
7- Other Tangible Assets (including Leasehold Improvements)	6	2.203.452	3.101.670
8- Leased Assets	6	1.689.968	1.689.968
9- Accumulated Depreciation (-)	6	(5.793.606)	(11.420.259)
10- Advances Given for Tangible Assets (including Construction in Progress)		-	-
F- Intangible Assets	**2.7 and 8**	**1.158.130**	**1.509.850**
1- Rights	8	4.252.175	5.481.068
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(3.094.045)	(3.971.218)
7- Advances Given for Intangible Assets		-	-

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2011	Audited 31 December 2010
G- Deferred Expenses and Income Accruals		**-**	**410**
1- Prepaid Expenses		-	410
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
H- Other Non-Current Assets		**15.241**	**3.053.815**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	2.18, 21 and 35	15.241	3.053.815
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		**35.529.603**	**29.474.486**
TOTAL ASSETS (I+II)		**305.929.724**	**264.588.283**

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Note	Audited 31 December 2011	Audited 31 December 2010
III- Current Liabilities			
A- Financial Liabilities		**68.185**	**263.076**
1- Due to Credit Institutions		-	-
2- Leasing Payables	2.22 and 4	79.252	281.559
3- Deferred Leasing Costs (-)	2.22	(11.067)	(18.483)
4- Short Term Instalments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Operations	**19**	**32.248.575**	**31.061.394**
1- Payables from Insurance Operations	4	32.227.439	31.040.171
2- Payables from Reinsurance Operations		-	-
3- Premium Reserves	4, 10 and 19	21.136	21.223
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		**20.109**	**17.182**
1- Due to Shareholders		6.975	6.050
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		13.134	11.132
6- Due to Other Related Parties		-	-
D- Other Payables	**19**	**6.167.070**	**3.309.529**
1- Deposits and Guarantees Received	19	387.376	276.588
2- Other Payables	4 and 47.1	5.779.694	3.032.941
3- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions	**2.24**	**149.325.069**	**155.799.718**
1- Unearned Premium Reserve-Net	2.24, 4 and 17	70.647.775	70.209.068
2- Unexpired Risks Reserve-Net	2.24, 4 and 17	2.059.919	3.622.316
3- Life Mathematical Reserve-Net		-	-
4- Outstanding Claim Provision-Net	2.24, 4 and 17	76.617.375	81.968.334
5- Bonus Provision-Net		-	-
6- Provision for Life Policies at Insuree's Risk-Net		- -	- -
7- Other Technical Reserves-Net		-	-
F- Taxes and Other Fiscal Liabilities		**3.500.186**	**2.855.706**
1- Taxes and Funds Payable		3.238.782	2.590.589
2- Social Security Withholdings Payable		261.404	265.117
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		- -	- -
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		**1.392.219**	**234.699**
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	2.20 and 23	1.392.219	234.699
H- Deferred Income and Expense Accruals		**15.198.744**	**12.644.095**
1- Deferred Income		15.197.273	12.642.070
2- Expense Accruals		1.471	2.025
3- Other Deferred Income and Expense Accruals		-	-
I- Other Current Liabilities		**492.244**	**407.314**
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	23 and 47.1	492.244	407.314
III - Total Current Liabilities		**208.412.401**	**206.592.713**

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Note	Audited 31 December 2011	Audited 31 December 2010
IV- Long-term Liabilities			
A- Financial Liabilities		**10.256**	**69.989**
1- Due to Credit Institutions		-	-
2- Leasing Payables	2.22 and 4	12.342	73.447
3- Deferred Leasing Costs (-)	2.22	(2.086)	(3.458)
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations		**-**	**-**
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Reserves		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		**4.131.808**	**-**
1- Deposits and Guarantees Received		-	-
2- Other Payables	4, 19 and 47.1	4.131.808	-
3- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions	**2.24**	**5.854.342**	**5.002.184**
1- Unearned Premium Reserve-Net	2.24, 4 and 17	2.910.072	3.009.093
2- Unexpired Risks Reserve-Net		-	-
3- Life Mathematical Reserve-Net		-	-
4- Outstanding Claim Provision-Net		-	-
5- Bonus Provision-Net		-	-
6- Provision for Life Policies at Insuree's Risk-Net		-	-
7- Other Technical Reserves-Net	2.24, 4, 17 and 47.1	2.944.270	1.993.091
F- Other Liabilities and Related Provisions		**-**	**-**
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		**1.059.816**	**1.412.059**
1- Provision for Employment Termination Benefits	2.19 and 22	1.059.816	1.412.059
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		**-**	**-**
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Non-Current Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		**11.056.222**	**6.484.232**

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

EQUITY	Note	Audited 31 December 2011	Audited 31 December 2010
V- Equity			
A- Share Capital	**2.13**	**163.069.856**	**137.069.856**
1- (Nominal) Capital	15	163.069.856	137.069.856
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
B- Capital Reserves		**2.070.152**	**2.017.811**
1- Share Premiums		2.070.152	2.017.811
2- Share Premiums of Cancelled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves	**15**	**25.262.416**	**16.942.762**
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	25.262.416	16.942.762
D- Retained Earnings		**-**	**-**
1- Retained Earnings		-	-
E- Accumulated Deficit (-)		**(104.281.700)**	**(75.920.878)**
1- Previous Years' Losses		(104.281.700)	(75.920.878)
F- Net Profit (Loss) for the Period	**37**	**340.377**	**(28.598.213)**
1- Net Profit for the Period		340.377	-
2- Net Loss for the Period (-)		-	(28.598.213)
3- Profit not subject to Distribution		-	-
V- Total Equity		**86.461.101**	**51.511.338**
TOTAL LIABILITIES AND EQUITY (III+IV+V)		**305.929.724**	**264.588.283**

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL PART	Note	Audited 01.01.2011 - 31.12.2011	Audited 01.01.2010 - 31.12.2010
A- Non-Life Technical Income		**141.371.852**	**147.494.394**
1- Earned Premiums - (Net of Reinsurers' Share)		137.096.909	145.820.757
1.1- Written Premiums - (Net of Reinsurers' Share)	2.21 and 24	135.874.198	137.288.142
1.1.1- Gross Written Premiums (+)	24	252.962.810	252.374.228
1.1.2- Reinsurers' Share of Gross Written Premium (-)	10 and 24	(117.088.612)	(115.086.086)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward (+/-)	17.15	(339.686)	11.724.675
1.2.1- Unearned Premiums Reserve (+)	17.15	(1.756.852)	11.762.236
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (-)	10 and 17.15	1.417.166	(37.561)
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	1.562.397	(3.192.060)
1.3.1- Unexpired Risks Reserve (-)	17.15	1.509.764	(3.898.584)
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)	10 and 17.15	52.633	706.524
2- Investment Income Transferred from Non-Technical Part		5.772.414	5.043.641
3- Other Technical Income - (Net of Reinsurers' Share)		(1.497.471)	(3.370.004)
3.1- Gross Other Technical Income (+)		(1.497.471)	(3.370.004)
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-
B- Non-Life Technical Expense (-)		**(139.506.892)**	**(167.698.675)**
1- Incurred Losses - (Net of Reinsurers' Share)		(97.147.093)	(121.998.656)
1.1- Paid Claims - (Net of Reinsurers' Share)		(102.498.052)	(108.014.855)
1.1.1- Gross Paid Claims (-)		(179.658.849)	(147.860.207)
1.1.2- Reinsurers' Share of Paid Claims (+)	10	77.160.797	39.845.352
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		5.350.959	(13.983.801)
1.2.1- Outstanding Claims (-)		9.240.820	(14.716.193)
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10	(3.889.861)	732.392
2- Change in Bonus Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus Provision (-)		-	-
2.2- Reinsurers' Share of Bonus Provisions (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(951.179)	(853.035)
4- Operating Expenses (-)	31 and 32	(41.408.620)	(44.846.984)
C- Net Technical Income- Non-Life (A - B)		**1.864.960**	**(20.204.281)**
D- Life Technical Income		**-**	**-**
1- Earned Premiums - (Net of Reinsurers' Share)		-	-
1.1- Written Premiums - (Net of Reinsurers' Share)		-	-
1.1.1- Gross Written Premiums (+)		-	
1.1.2- Reinsurers' Share of Gross Written Premiums (-)		-	-
1.2- Change in Unearned Premiums Reserve Net of Reinsurers' Share and Returned Reserve (+/-)		-	-
1.2.1- Unearned Premiums Reserve (-)		-	-
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve Net of Reinsurers' Share and Returned Reserve (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Life Investment Income		-	-
3- Unrealised Gain Generated from Investments		-	-
4- Other Technical Income - Net of Reinsurers' Share		-	-

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL PART	Note	Audited 01.01.2011 - 31.12.2011	Audited 01.01.2010 - 31.12.2010
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurers' Share)		-	-
1.1- Paid Claims (Net of Reinsurers' Share)		-	-
1.1.1- Gross Paid Claims (-)		-	-
1.1.2- Reinsurers' Share of Gross Paid Claims (+)		-	-
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.2.1- Outstanding Claims Provision (-)		-	-
1.2.2- Reinsurers' Share of Outstanding Claim Provisions (+)		-	-
2- Change in Bonus Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
2.1- Bonus Provision (-)		-	-
2.2- Reinsurers' Share of Bonus Provisions (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)		- -	- -
3.1- Life Mathematical Reserves (-)		-	-
3.2- Reinsurers' Share of Life Mathematical Reserves (+)		-	-
4- Change in Provision for Policies at Life Insurees' Risk (Net of Reinsurers' Share and Returned Reserve) (+/-)			
4.1- Provision for Life Policies at Insuree's Risk (-) Insuree's Risk (-)		-	-
4.2- Reinsurers' Share of Provision for Insuree's Risk (+)		-	-
5- Change in Other Technical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)		- -	- -
6- Operating Expenses (-)		-	-
7- Investment Expenses (-)		-	-
8- Unrealised Investment Losses (-)		-	-
9- Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income - Life (D -E)		-	-
G- Pension Funds Technical Income		-	-
1- Fund Management Income		-	-
2- Management Expense Charge		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Pension Funds Technical Expense (-)		-	-
1- Fund Management Expense (-)		-	-
2- Capital Allowance Value Decrease Expense (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Net Technical Income - Pension Funds (G - H)		-	-

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

II- NON-TECHNICAL PART	Note	Audited 01.01.2011 - 31.12.2011	Audited 01.01.2010 - 31.12.2010
C- Net Technical Income-Non-Life (A-B)		**1.864.960**	**(20.204.281)**
F- Net Technical Income-Life (D-E)		**-**	**-**
I- Net Technical Income-Pension Funds (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**1.864.960**	**(20.204.281)**
K- Investment Income		**13.860.317**	**5.703.815**
1- Income from Financial Investments		7.535.440	5.669.018
2- Income from Liquidation of Financial Investments		-	-
3- Valuation of Financial Investments		-	-
4- Foreign Exchange Gains	36	6.322.582	-
5- Income from Subsidiaries		-	-
6- Income from Equity Investments and Joint-Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments		2.295	34.797
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		**(10.239.464)**	**(10.237.177)**
1- Investment Management Expenses (Interest included) (-)		(1.797.524)	(1.674.164)
2- Impairment in Value of Investments (-)		(28.251)	-
3- Loss from Realization of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(5.772.414)	(5.043.641)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	-	(511.312)
7- Depreciation Expenses (-)	6.1	(2.641.275)	(3.000.467)
8- Other Investment Expenses (-)		-	(7.593)
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		**(5.145.436)**	**(3.860.570)**
1- Provisions (+/-)	47.5	(5.727.756)	(7.383.286)
2- Rediscounts (+/-)		-	-
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	(899.313)	4.083.158
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		765.561	205.416
8- Other Expenses and Losses (-)		(604.468)	(765.858)
9- Prior Year's Income	47.4	1.320.540	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit/(Loss) for the Period	**37**	**340.377**	**(28.598.213)**
1- Profit/(Loss) for the Period	37	340.377	(28.598.213)
2- Corporate Tax Provision and Other Fiscal Liabilities (-)		-	-
3- Net Profit/(Loss) for the Period	37	340.377	(28.598.213)
4- Inflation Adjustment		-	-

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	Audited 01.01.2011 - 31.12.2011	Audited 01.01.2010 - 31.12.2010
A- CASH GENERATED FROM MAIN OPERATIONS			
1- Cash flows from insurance operations		218.441.601	237.978.529
2- Cash flows from reinsurance operations		105.454.719	37.207.438
3- Cash flows from pension fund operations		-	-
4- Cash outflows from insurance operations (-)		(198.044.145)	(149.052.976)
5- Cash outflows from reinsurance operations (-)		(114.540.218)	(109.058.434)
6- Cash outflows from pension fund operations (-)		-	-
7- Net cash from main operations (A1+A2+A3-A4-A5-A6)		11.311.957	17.074.557
8- Interest payment (-)		-	-
9- Income tax payment (-)		-	(3.804.041)
10- Other cash inflows		1.322.835	33.286.340
11- Other cash outflows (-)		(21.311.847)	(37.805.797)
12- Net cash flows from operating activities		(8.677.055)	8.751.059
B- CASH FLOWS FROM INVESTING OPERATIONS			
1- Sale of tangible assets		85.858	53.406
2- Tangible asset acquisitions (-)		(1.130.368)	(1.513.542)
3- Financial asset acquisitions (-)		(1.996.582)	(52.519.460)
4- Sales of financial assets		-	-
5- Interest received		4.380.736	4.624.158
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		-	-
9- Net cash from investing activities		1.339.644	(49.355.438)
C- CASH FLOWS FROM FINANCING OPERATIONS			
1- Issue of shares	15	26.000.000	40.049.856
2- Cash flows due to the borrowings		-	-
3- Leasing payments (-)		(254.624)	(52.391)
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	(1.098.655)
7- Net cash generated from financing activities		25.745.376	38.898.810
D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**36**	**6.322.582**	**(511.312)**
E- NET INCREASE/(DECRAEASE) IN CASH AND CASH EQUIVALENTS		**24.730.547**	**(2.216.881)**
F- CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**77.425.825**	**79.642.706**
G- CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)	**2.12**	**102.156.372**	**77.425.825**

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

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Statements of Changes in Equity - Audited (*)											
	Capital	Own Shares of the Company (-)	Valuation Increase in Assets	Inflation Adjustment to Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Income/ (Loss) for Period	Retained Earnings/ (Previous Years' Losses)	Total
I - Balances at the Previous Period End (31/12/2009)	**97.020.000**	-	**7.894.201**	-	-	-	-	**11.046.497**	**(42.555.457)**	**(33.582.263)**	**39.822.978**
A- Capital increase (A1 + A2)	40.049.856	-	-	-	-	-	-	-	-	-	40.049.856
1- Cash (Note 2.13)	40.049.856	-	-	-	-	-	-	-	-	-	40.049.856
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the Assets (Note 15)	-	-	(216.842)	-	-	-	-	-	-	216.842	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and Losses	-	-	-	-	-	-	-	236.717	-	-	236.717
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net loss for the period (Note 37)	-	-	-	-	-	-	-	-	(28.598.213)	-	(28.598.213)
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	42.555.457	(42.555.457)	-
II- Balances at the Period End (31/12/2010) (I+ A+B+C+D+E+F+G+H+I+J)	**137.069.856**	-	**7.677.359**	-	-	-	-	**11.283.214**	**(28.598.213)**	**(75.920.878)**	**51.511.338**
I - Balances at the Previous Period End (31/12/2010)	**137.069.856**	-	**7.677.359**	-	-	-	-	**11.283.214**	**(28.598.213)**	**(75.920.878)**	**51.511.338**
A- Capital increase (A1 + A2)	26.000.000	-	-	-	-	-	-	-	-	-	26.000.000
1- Cash (Note 2.13)	26.000.000	-	-	-	-	-	-	-	-	-	26.000.000
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets (Note 15)	-	-	8.557.045	-	-	-	-	-	-	-	8.557.045
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	52.341	-	-	52.341
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net income for the period (Note 37)	-	-	-	-	-	-	-	-	340.377	-	340.377
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	(237.391)	-	-	-	-	-	28.598.213	(28.360.822)	-
II- Balances at the Period End (31/12/2011) (I+ A+B+C+D+E+F+G+H+I+J)	**163.069.856**	-	**15.997.013**	-	-	-	-	**11.335.555**	**340.377**	**(104.281.700)**	**86.461.101**

(*) Detailed explanations for the Equity items are disclosed in Note 15.

1. General Information

1.1 Name of the parent company: The immediate parent of Ray Sigorta A.Ş. (the "Company") is TBIH Financial Services Group N.V. ("TBIH") and the ultimate parent is Vienna Insurance Group AG ("VIG") as of 31 December 2011 and 2010. 5,74% of the shares of the Company are quoted in Istanbul Stock Exchange Market.

1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office: The headquaters of the Company is at Cumhuriyet Mahallesi Haydar Aliyev Caddesi No:28 Tarabya-İstanbul. The Company has regional head offices, two in İstanbul (Europe and Asia), and one at each city of Ankara, İzmir, Antalya, Adana and Bursa and one branch at Northern Cyprus Turkish Republic.

1.3 Nature of operations: The Company is established in order to perform all legally permitted insurance transactions in Turkey or abroad regarding illness, fire, accident, financial liability, land, air and sea transportation and technical faults related to machinery erection; to insure persons, animals, commodities, products, goods, vehicles and values; to operate all types of insurance, coinsurance, reinsurance and retrocession transactions; and operate as a representative of Turkish or foreign companies performing such transactions.

1.4 Explanation of the activities and characteristics of main operations of the corporation: Disclosed in Notes 1.2 and 1.3.

1.5 Average number of employees during the period by category:

	31 December 2011	31 December 2010
Top and middle management	34	40
Other personnel	221	233
	255	**273**

1.6 Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and other executive management during the current period: TL2.282.276 (31 December 2010: TL2.204.911).

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) in the financial statements: All investment income generated by investment of assets backing non-life technical provisions of the Company, is transferred from non-technical to technical part of the income statement. The Company allocates general expenses transferred to technical part to branches based on the weighted average of the number of policies, amount of premium and number of claim notifications in last three years.

1.8 Whether financial statements include only one firm or group of firms: Financial statements include one company (Ray Sigorta A.Ş.).

1.9 Name and other identification information of the reporting firm and changes in this information since the previous balance sheet date: Name and other identification information of the Company are disclosed in Notes 1.1, 1.2 and 1.3.

1.10 Events occurred after the balance sheet date: Financial statements for the period between 1 January 2011 and 31 December 2011 are authorized by Board of Directors on 14 March 2012 and signed by General Manager M. Levent Şişmanoğlu, Finance Director Koray Erdoğan and Accounting Manager Özlem Çaydaşı on behalf of Board of Directors. The financial statements will be finalized upon the approval and authorisation of the General Assembly. Events occurred after the balance sheet date are explained in Note 46.

2. Summary of significant accounting policies

2.1 Basis of preparation

In accordance with Article 50 (a) of Section VII of the Capital Markets Law, insurance companies are subject to their specific legislation in respect of establishment, audit, supervision, accounting, financial statements and financial reporting standards. Therefore, the Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (the "Treasury").

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 April 2008.

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Treasury, operations of insurance companies shall be accounted for in accordance with the Turkish Accounting Standards ("TMS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TMSK") and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. 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, starting from 31 March 2009, insurance companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in Official Gazette dated 31 December 2009 and numbered 27097. The Company is not required to prepate consolidated financial statements as the Company does not have any subsidiaries to be consolidated in this context.

Financial statements were prepared on a TL and historical cost basis, being adjusted for inflation until 31 December 2004, other than the financial assets measured at their fair value and property for operational use measured at revalued amount.

It was announced with the article of the Treasury numbered 19387, dated 4 April 2005, insurance companies are required to restate their financial statements as of 31 December 2004 in accordance with "Financial Reporting in Hyperinflationary Economies" included in the regulations of Capital Markets Board (''CMB'') Communiqué XI No.25 (which came into force as published in the Official Gazette No:25290 dated 15 January 2003). In line with the decree of CMB dated 17 March 2005, the Treasury also announced that inflation accounting is not required effective from 1 January 2005. Based on the above mentioned notification of the Treasury, the Company has restated its financial statements as of 31 December 2004 in accordance with the regulations regarding "Financial Reporting in Hyperinflationary Economies" and not continued to apply standard No. 29 "Financial Reporting in Hyperinflationary Economies" issued by TMSK.

The Company accounts and recognizes its insurance technical provisions in its financial statements as of 31 December 2011 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves") dated 28 July 2010 and published in official gazette numbered 27655 effective from 30 September 2010 and the regulations issued for insurance and reinsurance companies by the Treasury (Note 2.24).

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

Accounting policies and measurement principles that are used in the preparation of the financial statements are explained in the notes from 2.4 to 2.25 below.

Changes in Turkish Financial Reporting Standards:

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

- TMS 32 (revised), "Financial instruments: Presentation" (Effective for annual periods starting on or after 1 February 2010),
- TFRYK 19, "Extinguishing Financial Liabilities with Equity Instruments" (Effective for annual periods starting on or after 1 July 2010),
- TFRS 1 (revised), "First-time Implementation of TFRS" (Effective for annual periods starting on or after 1 July 2010),
- TMS 24 (revised), "Related Party Disclosures" (Effective for annual periods starting on or after 1 January 2011),
- 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).
- Standards in the scope of 2010 Annual Development Project are valid for the reporting periods that start after 1 January 2011. The above mentioned project includes the amendments in 6 standards and 1 interpretation below:

- TFRS 1, "First-time Adoption of TFRS",
- TFRS 3, "Business Combinations",
- TFRS 7, "Financial Instruments: Disclosures",
- TMS 1, "Presentation of Financial Statements",
- TMS 27, "Consolidated and Separate Financial Statements",
- TMS 34, "Interim Financial Reporting",
- TFRYK 13, "Customer Loyalty Programmes".

Standarts that are not effective as yet and early implementation is not adopted by the Company:

- TFRS 7 (revised), "Financial instruments: Disclosures " (Effective for annual periods starting on or after 1 July 2011),
- TFRS 1 (revised), "First-time implementation of TFRS", Effective for annual periods starting on or after 1 July 2011),
- TMS 12 (revised), "Income Taxes", (Effective for annual periods starting on or after 1 January 2012),
- TMS 1, (revised), "Presentation of Financial Statements" (Effective for annual periods starting on or after 1 July 2012),
- TMS 19 (revised), "Employee Benefits" (Effective for annual periods starting on or after 1 January 2013),
- TFRS 9, "Financial Instruments", (Effective for annual periods starting on or after 1 January 2015),
- TFRS 10, "Consolidated Financial Statements" (Effective for annual periods starting on or after 1 January 2013),
- TFRS 11, "Joint Arrangements" (Effective for annual periods starting on or after 1 January 2013),
- TFRS 12, "Disclosure of Interests in Other Entities" (Effective for annual periods starting on or after 1 January 2013).
- TFRS 13, "Fair Value Measurement" (Effective for annual periods starting on or after 1 January 2013).
- TMS 27 (revised), "Separate Financial Statements" (Effective for annual periods starting on or after 1 January 2013).
- TMS 28 (revised), "Investments in Associates and Joint Ventures" (Effective for annual periods starting on or after 1 January 2013).

Changes to be effective starting from 1 January 2012 in the context of "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"):

- The amounts taken into account as 50% of the negative IBNR results in accordance with the Communique dated 14 January 2011 and numbered 2011/1 will be taken into account by 100% for the calculations to be performed after 1 January 2012.

- In the calculations of incurred but not reported claim provision after 1 January 2012, data related to the accrued claim recovery, salvage and other related income will also be taken into account.

2.1 Basis of preparation (Continued)

The Company's efforts to calculate the effects of the abovementioned changes due to the Standards and Interpretations and the Communiqué numbered 2011/23 on the Company's financial statements in the subsequent periods is in progress as of the date of preparation of the financial statements.

2.2 Consolidation

The Company does not have any subsidiaries in the scope of the "TMS 27- Consolidated and Unconsolidated Financial Statements.

2.3 Segment Reporting

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

2.4 Foreign Currency Translation

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

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

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

2.5 Tangible Assets

All tangible assets except for buildings for operational use are carried at cost less accumulated depreciation. Buildings for operational use are carried at their revalued amount on the basis of a valuation made by an independent valuation expert less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net carrying amount is restated to the revalued amount.

Increases in the carrying amounts arising on revaluation of land and buildings, net of tax effects, are credited to "Other Profit Reserves" under shareholders' equity. Any subsequent decrease in value offsetting previous increases in the carrying value of the same asset is charged against the funds in the equity; and all other decreases are charged to the income statement. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the income statement) and the depreciation based on the asset's original cost is transferred from "Other Profit reserves" to retained earnings.

Depreciation on tangible assets is calculated using straight-line method to allocate their cost or revalued amounts over their estimated useful lives. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Properties for operational use (Buildings)	25-50 years
Furniture and fixture	3-17 years
Motor vehicles	5 years
Leasehold improvements	5 years

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in the other investment expenses account.When revalued assets are sold, the amounts included in "Other Profit Reserves" are transferred to the retained earnings (Note 6).

Disclosures related with share capital are included in Note 15.

2.6 Investment property

None (31 December 2010: None).

2.7 Intangible assets

Intangible assets consist of the acquired information systems and software. Intangible assets are recognised at acquisition cost and amortised by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts (Note 8).

The amortisation periods of intangible assets vary between 3 to 5 years.

2.8 Financial Assets

The Company classifies and accounts for its financial assets as "Loans and Receivables (Receivables from Main Operations)" and "Financial Assets at Fair Value Through Profit or Loss (Held-for-trading Investments)" in the financial statements. Receivables from main operations are the receivables arising from insurance agreements and they are classified as financial assets in the financial statements.

Loans and receivables (Receivables from main operations):

Loans and receivables are financial assets which arise in return, for providing money or other services to debtors. Loans and receivables are recognised initially at fair value and subsequently measured at cost. Fees and other charges paid related to the assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and charged as expenses to income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under "Provision for due from insurance operations" on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

In addition to the provision for due from insurance operations, in accordance with the Tax Procedure Law article No: 323, the Company accounts for a "Provision for doubtful receivables under legal follow-up" regarding its 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 "Provision for doubtful receivables from main operations" on the balance sheet.

Provision for doubtful receivables is charged to the income statement for the related year. Recoveries from doubtful receivables previously provided for are treated as a reduction from related provision and accounted for in the "Provisions" account (Note 47.5). Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

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

The financial assets measured at fair value through profit or loss by the Company are classified as held-for-trading in the financial statements.

Financial assets at fair value through profit or loss consist of financial instruments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, formed as a part of a portfolio of financial assets that are managed together for which there is evidence of short-term profit taking, and classified as financial assets designated at fair value through profit or loss at inception since they are managed and their performance is evaluated on a fair value basis.

Financial assets at fair value through profit or loss are accounted for at their fair values at initial recognition, and these financial assets are also subsequently measured at their fair values. Gains or losses as a result of fair valuation are recognised directly in the income statement (Note 11).

2.9 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

Total amount of mortgages or guarantees on assets are explained in Note 43; provisions for doubtful receiveables are explained in Note 12.1 and current period's rediscount and provision expenses are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (31 December 2010: None).

2.11 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 realisation of the asset and the settlement of the liability take place simultaneously.

2.12 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank deposits and other identified short-term highly liquid investments which are subject to an insignificant risk of changes in value with original maturities of three months or less.

Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2011	31 December 2010
Banks (Note 14)	119.443.638	99.956.129
Credit card receivables (Note 47.1)	15.519.723	10.976.923
Cash (Note 14)	31.336	30.196
Less: Interest accrual	(620.405)	(1.026.251)
Less: Restricted bank deposits (Note 43)	(32.217.920)	(32.511.172)
Total cash and cash equivalents	**102.156.372**	**77.425.825**

2.13 Capital

The composition of the Company's share capital at 31 December 2011 and 2010 is as follows:

	31 December 2011		31 December 2010	
Name of Shareholders	**Share**	**Share amount**	**Share**	**Share amount**
TBIH	%81,59	133.048.627	%84,26	115.497.170
VIG	%12,67	20.663.528	-	-
Publicly quoted shares	%5,74	9.357.701	%5,74	7.865.700
Doğan Şirketler Grubu Holding A.Ş.	-	-	%10,00	13.706.986
Total	**%100**	**163.069.856**	**%100**	**137.069.856**

In the context of "Share Purchase and Shareholding Agreement" signed at 19 March 2007 between Doğan Şirketler Grubu Holding A.Ş., one of the shareholders of the Company as of 31 December 2010, and TBIH, the investment company of VIG, the total shares of the Doğan Şirketler Grubu Holding A.Ş., which constitutes 10% the Company shares, were decided to be sold out on 28 September 2010 to TBIH and VIG before the anticipated share selling option to be used in 2011; and a "Share Sale Agreement" was signed. The sale of total 1.370.698.561 shares, with a nominal value of 1 Kuruş per share, of Doğan Şirketler Grubu Holding A.Ş., constituting 10% of total nominal Capital of the Company amounting to TL137.069.856, was completed on 2 February 2011 at a price of USD22.907.030. 2 of the shares were sold to TBIH and the remaining 1.370.698.559 shares were sold to the VIG.

The Company's capital was increased by TL26.000.000 from TL137.069.856 to TL163.069.856, in the context of the registered capital amounting to TL200.000.000, in accordance with the Board of Directors decision dated 23 March 2011 and numbered 5867. TL1.492.000 of the increase was contributed by the owners of publicly traded shares and remaining amount of TL24.508.000 was contributed by the other shareholders. The Document Related to the Completion of Capital Increase dated 21 December 2011 and numbered 2191 indicating the proper completion of capital increase in accordance with the principles determined by Capital Markets Law numbered 2499 and related legislation has been obtained from Capital Markets Board and registered at İstanbul Trade Registry.

The Company's capital was increased by TL40.049.856, all in cash, from TL97.020.000 to TL137.069.856, in the context of the registered capital amounting to TL200.000.000, in accordance with the Board of Directors decision dated 19 March 2010 and numbered 5738 revising the Board of Directors decision dated 8 January 2010 and numbered 5715. The document related to the completion of capital increase dated 3 December 2010 and numbered 1518 has been obtained from Capital Markets Board and registered at İstanbul Trade Registry.

The upper limit of registered capital of the Company as of 31 December 2010 and 2011 is TL200.000.000.

As of 31 December 2011 and 2010, no privileges are granted to any class of shares representing the share capital.

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

2.14 Insurance and Investment Contracts - classification

The insurance contracts are those contracts that transfer insurance risk. Insurance contracts protect policyholders against the adverse financial consequences of loss event under the terms and conditions stipulated in the insurance policy.

The main insurance contracts produced by the Company, as stated below, are insurance contracts in non-life branches such as fire, marine, motor and personal accident, other accident, engineering and health.

Fire insurance contracts provide mainly fire and theft coverage for houses and offices, and additional coverages for earthquake, financial liability, loss of rent, plate glass and loss of profit. The risks of cargo, hull, hull construction and marine liability are accepted under the coverage of marine branch. Construction all risk, erection all risk, machinery breakdown, electronic equipment and loss of profit coverages are provided under engineering branch whereas motor own damage, motor third party liability, non-auto accident, auto and non- auto accident, miscellaneous liability, fidelity, plate glass, theft and credit insurance coverages are given under accident branch. The aviation risks are also insured under miscellaneous accident branch. Under health branch, group and individual policies are issued. Diagnosis and treatment expenses are covered by such contracts that have also domestic and foreign distinctions. Besides, the Company underwrites the agriculture policies that are produced by Agricultural Insurance Pool ("TARSİM") and obligatory earthquake insurance contracts that are produced by Turkish Catastrophe Insurance Pool ("DASK"). The basis of calculation of the income and liabilities arising from the insurance contracts is explained in Notes 2.21 and 2.24.

Reinsurance Agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the losses which may occur in relation to one or more insurance policies produced by the Company.

The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the premiums paid are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance treaty for fire, marine, engineering and other accident branches. Also the Company has excess of loss agreements for fire, marine and engineering branches. The agreements mentioned confronts the claims occurred in the period that agreements are in effect and reinsurers' responsibility ends for the claims occurred after the agreements are terminated. Besides, the Company has yearly proportional quota share reinsurance treaties with stated turnover rate for professional indemnity, third party liability, electronic device, machinery breakdown, compulsory bus seat, health and individual accident branches. Treaties mentioned are run-off agreements that reinsurers' responsibility holds even after agreements end. The Company has proportional reinsurance agreements for traffic and auto accident branches. In these branches, guarantee is provided for natural disasters such as, earthquake and flood via catastrophic excess of loss reinsurance treaty.

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

Premiums Transferred to Social Security Institution

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

2.14 Insurance and Investment Contracts - Classification (Continued)

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 15 September 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution (SSI) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 and numbered 2011/18 (the "Communiqué numbered 2011/18") (Note 2.24). Within this framework, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued after 25 February 2011 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI as TL2.578.918 (31 December 2010: None) (Notes 10 and 24) and an unearned premium reserve amounting to TL1.857.051 (31 December 2010: None) (Notes 10 and 17) on a daily basis on these premiums and; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of Unearned Premiums Reserve", respectively (Note 19).

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

None (None at 31 December 2010).

2.16 Investment contracts without discretionary participation feature

None (None at 31 December 2010)

2.17 Borrowings

None (None at 31 December 2010).

2.18 Taxes on Income

Corporate Tax

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th 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.

A 75% portion of profits from sale of participation shares and property which have been in assets for at least two years is exempt from corporate tax provided that these profits are added to share capital or are not withdrawn from the equity within 5 years, as prestated in Corporate Tax Law.

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

In accordance with Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law numbered 5024 ("Law No. 5024") published in the Official Gazette on 30 December 2003, effective from 1 January 2004 income and corporate taxpayers are required to adjust the financial statements for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10%, respectively (TÜİK TEFE increase rate). Since these conditions in question were not fulfilled in 2010 and 2011, no inflation adjustments were performed (Note 35).

Deferred Income Tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised (Note 21).

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits in accordance with TMS 19, "Employee Benefits" and classifies under the account "Provision for employment termination benefits" and "Other current liabilities" on the balance sheet.

According to the Turkish labour legislation, 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 the Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in accordance with the Labour Law by considering determined actuarial estimates (Note 22).

2.20 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. Provision amounts are estimated over expenditures expected to be required to settle the obligation at the balance sheet date by considering the risks and uncertainties related to the obligation. 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 the 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 is recognised as an asset if and only 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 financial statements (Note 23).

2.21 Accounting for revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognised in the financial statements on accrual basis by allocating the unearned premium provision over written premiums

Reinsurance Commissions

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement. As disclosed in Note 2.24, reinsurance commission income is recognised in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim recovery and Salvage Income

In accordance with "The Circular on Salvage and Subrogation Income" issued by the Treasury, dated 20 September 2010 and numbered 2010/13, in the financial statements prepared as of
31 December 2011, the Company recognizes the subrogation receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim. Accordingly, as of 31 December 2011, accrued subrogation receivables, net of reinsurance share, and the provision amount for such receivables are TL4.249.558 (31 December 2010: TL4.181.932) (Note 17.15-17.19) and TL759.928 (31 December 2010: TL 73.357), respectively (Note 12).

Interest income

Interest income is recognised by using the effective interest rate method on an accrual basis.

Dividend Income

Dividend income is recognised as an income in the financial statement when the right to receive payment is established.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

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

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

2.23 Dividend Distribution

Dividend liabilities are recognised as a liability in the financial statements in the period in which the dividends are declared as a component of profit distribution.

2.24 Technical Provisions

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written, except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and

2.24 Technical Provisions (Continued)

finish at 12.00 noon again. In accordance with the Regulation on Technical Reserves, unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies issued after 1 January 2008, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. The Company has continued to deduct the commissions from the premiums for the calculation of unearned premium reserve regarding the policies issued before 1 January 2008. 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 17).

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 (Note 17).

The Company has deferred TL714.104 of the general expenses originating from premium production in the current period under other miscellaneous receivables account on the balance sheet as of 31 December 2011 as they relate to the future period (31 December 2010: TL385.771) (Note 47.1).

Unexpired Risks Reserve

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

In accordance with the Communiqué numbered 2011/18, in the calculation of expected loss ratio used for the calculation of unexpired risk reserve as of 31 December 2011, all amounts related to the premiums and losses to be ceded to SSI are required to be deducted from the numerator and denominator. In this context, the amounts related to prior year premiums are calculated based on the principles used in the calculation of current year ceded premiums and opening unearned premium reserve used for the calculation of unexpired risk reserve has been restated for the related branches. During this calculation, the announced amounts stated in the Communiqué numbered 2011/17 for the compulsory traffic policies have been discounted by 8% for the policies written before 31 December 2010. In addition, the amounts determined using the figures stated in the Communiqué numbered 2011/17 for the policies issued between 1 January and 25 February 2011 are included in the premiums ceded to SSI for the calculation of the unexpired risk reserve. On the other hand, the treatment expenses in the context of the Law and the effects of such expenses are excluded from the paid claims, opening and closing outstanding claim provisions including incurred but not reported claims included in the calculation.

The Company has calculated and accounted for a net unexpired risk reserve amounting to TL 2.059.919 at 31 December 2011 (31 December 2010: TL 3.622.316) (Notes 4 and 17).

Outstanding Claims Provision

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

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

In accordance with the Communiqué which is effective from 30 September 2010, the insurance companies has to make the calculations on each branch based on actuarial chain ladder method ("ACLM") with using 5 methods which are mentioned in the Communiqué which are all based on incurred loss (total of outstanding and paid claims). The right of selecting one of the methods is given to the insurance companies which will determine the method for each branch as at 31 December 2010 by evaluating the best adequate method for the Company portfolio which shall not be changed for 3 years. The peak claims which are mentioned as big claims are eliminated in a separate file by using prescribed statistical methods in the Communiqué in order to make the ACLM calculations with a more homogeneous data set. Additionally, the ACLM calculations are performed on gross basis and the net amounts are determined according to in-force or related reinsurance treaties of the Company. The method which was selected by the Company for each branch for the ACLM, the results of related calculations as of 31 December 2011 and 2010, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are represented in Note 17.

Another calculation is performed to test the adequacy of the result for incurred but reported claims amount determined by the ACLM calculations. In the calculation of incurred but reported claims amount performed for the mentioned test, the claims occurred in the last 5 years, but notified after that date, deducted by related the salvage, subrogation and other similar collections; and the premium income of the respective years have been considered. The result of the calculation is compared to the ACLM calculation result on an aggregate basis for all branches and the higher one is determined as the incurred but not reported claims amount for each branch. The Company has made the aforementioned comparison and determined its incurred but reported claims amount in accordance with the result of ACLM calculations.

As discussed in Note 2.14, in accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Compulsory Motor Personal Accident", outstanding claim files regarding the claims dated before the enforcement of the Law and the related incurred but not reported claims amount calculated are closed and has been classified under "Paid Claims". Besides, in accordance with the Communiqué numbered 2011/18, the paid

2.24 Technical Provisions (Continued)

and outstanding claims; and salvage and claim recovery income related to the treatment expenses in the context of the Law shall be excluded from the statistical data used in ACLM development triangles to calculate the incurred but not reported claim provision and the calculations performed to test the adequacy of this amount as of 31 December 2011. Within this framework, the Company has excluded its paid claims, outstanding claims and accrued recovery, salvage and similar income related to medical treatment expenses, in the context of the Law from the statistical data for 2008 and the following years used in the calculation of incurred but not reported claim provision; however, the systematical elimination cannot be made for 2007 and the previous years for the related calculations. In accordance with "The Communiqué on the Use of Equalization Reserve and Additional Explanations Related to Some Communiqués", dated 13 February 2012 and numbered 2012/1 (the "Communiqué numbered 2012/1"), in the cases where a systematical split of the treatment expenses in the context of Law may not be performed, the companies which are able to make such a split in the paid claims; but not able to do so for outstanding claims, are allowed to use the implicit ratios realized in the paid claims for the split of outstanding claims. The companies which are not able to eliminate the treatment expenses also from the paid claims are allowed to calculate the share of treatment expenses using the data related to the incurred claims in March, June, September and December months of the year 2008 and use this rate calculated in the incurred but not reported claims provision related calculations. Within this context, the Company has eliminated the treatment expenses in the context of Law from the realized claims in March, June, September and December months of the year 2008 and as a result of this calculation, determined the share of treatment expenses as 5,15% for the compulsory motor liability branch, and used this rate for the split of the data related to 2007 and the previous years included in the calculation of incurred but not reported claims provision.

With respect to the Communique, 80% of result the incurred but not reported claim calculations may be taken into account for only year 2010 for the determination of the amount to be accounted for in the financial statements. The amounts will be taken into account at minimum 90% of the result of the new incurred but not reported claims for 2011, and all of the amount has to be taken into account in 2012. In this respect, the Company has taken 100% (31 December 2010: %100) of the provision for claims incurred but not reported into account and has accounted for a net additional outstanding claim provision amounting to TL 20.653.873 at 31 December 2011 (31 December 2010: TL 22.827.389) (Note 17).

The Company evaluated the claim development in compulsory motor third party liability branch statistically with other actuarial methods and models and accounted for a net additional reserve amounting to TL 893.200 (31 December 2010: TL 1.305.917) as an addition to the incurred but not reported claim provision (Note 17).

In accordance with the Communiqué related to Technical Reserves Regulations which is effective from 30 September 2010 and the Communiqué dated 18 October 2010 and numbered 2010/16, in the calculations regarding recently started branches, the provision for claims incurred but not reported and outstanding claim adequacy difference are calculated by the actuary of the Company for the following five years after the start date of issuing policies in the related branch. In accordance with the related regulations, the Company has used the results calculated in accordance with abovementioned test of the adequacy of the results of ACLM calculations to determine the incurred but not reported claims provision for the branches with data less than five years which are non-life health, fidelity, legal protection, aviation vehicles, aviation vehicles liability, rail vehicles and financial losses. In this respect, the Company has accounted for a total amount of TL 146.819 (31 December 2010: None) as an additional net incurred but not reported claim reserve for the related branches as of 31 December 2011.

Besides, for the purpose of assessing the adequacy of outstanding claims provisions for branches in which operations have recently started, an outstanding claims provisions adequacy table is prepared on a branch basis at the end of each accounting year. While preparing the adequacy table and calculating the outstanding claims provision; outstanding claims accrued and realized and incurred but not reported claims provision as well as all expense charges are taken into account. Within this framework, the ratio of outstanding claims provision to the total of amounts of paid claims, including all expense charges with regards to the files, indicates the outstanding claims provisions adequacy ratio. In case the outstanding claims provisions adequacy ratio relating to these branches is lower than 100%, the difference between this rate and 100% is multiplied by outstanding claims provisions for the current period and the outstanding claims adequacy provision amount is determined. The final outstanding claims provision to be allocated in the current year is calculated after addition of the outstanding claims adequacy provision amount separately for each branch. As a result of the calculation of outstanding claims provision adequacy performed as of 31 December 2011, the Company allocated a net additional provision amounting to TL 49.028 for related branches with an outstanding claims provision adequacy rate of above 100% (31 December 2010: TL 352.451).

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2011. The Company has calculated the winning ratio except land vehicles and land vehicles liability branches on a sub-branch basis by dividing the amount of the cases closed in favour of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years time as of 31 December 2011. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. In accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with winning ratios over 25%. The Company has calculated win ratio over gross amounts and has determined reinsurance share of discount amount considering reinsurance share of related files. The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 1.815.465 (31 December 2010: None). Besides, in accordance with the Communiqué numbered 2011/23, claim amounts are taken into consideration without any deduction for all calculations performed to determine incurred but not reported claim provision (Note 17).

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 insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalisation

2.24 Technical Provisions (Continued)

reserve, provided that no deduction has been made from current year charge to the reserve. The Company has not made any deduction from equalisation reserve during the periods 1 January - 31 December 2011 and 2010 and the Company has accounted for an equalisation reserve of TL 2.944.270 as of 31 December 2011 (31 December 2010: TL 1.993.091) (Notes 17 and 47.1).

2.25 Convenience Translation Into English

The effects of differences between the accounting principles as set out by the Turkish 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 these 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. Critical Accounting Estimates and Judgments

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

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

4. Management of insurance and financial risk

Insurance risk

The risk under any one insurance contact is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements, which the Company is a party to.

The concentration of insurance risk (maximum insured loss) in relation to the branches is summarized below:

	31 December 2011	31 December 2010
Motor vehicles third party liability	453.125.892.464	538.211.915.040
Air vehicles liability	253.530.379.259	2.864.786.433
Fire and catastrophic losses	194.847.632.402	267.461.194.914
General liability	114.353.638.894	6.104.591.659
General losses	64.553.969.439	35.449.929.752
Marine	18.483.044.500	50.830.996.616
Accident	17.045.791.552	19.836.289.851
Land vehicles	2.865.763.063	25.019.083.829
Financial losses	1.178.349.451	3.599.143.013
Water vehicles	797.714.551	687.442.795
Legal protection	678.529.883	682.182.193
Air vehicles	415.382.084	173.452.475
Health/Sickness	160.369.876	65.804.247
Rail vehicles	159.678.426	118.042.856
Fidelity	63.149.576	93.309.042
Total	**1.122.259.285.420**	**951.198.164.715**

Sensitivity Analysis

Financial Risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge certain risk exposure. Risk management is carried out by management under policies approved by the Board of Directors.

(a) Market Risk

i. Cash Flow and Market Interest Rate Risk

The Company does not have variable rate financial assets and liabilities; and therefore is not exposed to interest rate risk.

ii. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

4. Management of insurance and financial risk (Continued)

At 31 December 2011, if EUR appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would be higher/lower by TL 1.121.061 (31 December 2010: TL 2.090.604), as a result of foreign exchange gains/losses on the translation of Euro denominated assets and liabilities.

At 31 December 2011, if USD appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would be higher/lower by TL 1.883.151 (31 December 2010: TL 1.518.606) as a result of foreign exchange gains/losses on the translation of USD denominated assets and liabilities. The company's foreign assets and liabilities are disclosed in related notes.

iii. Price risk

The Company's financial assets expose the Company to price risk. The Company is not exposed to commodity price risk. At 31 December 2011, if the unit prices of the Company's common stocks which are classified as available for-sale financial assets increased/decreases by 5% with all other variables held constant, the net assets before tax would be higher/lower by TL 98.417 (31 December 2010: None).

(b) Credit Risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents and deposits in banks, financial assets, reinsurers' share of insurance liabilities, amounts due from reinsurers, premium receivables from policyholders and intermediaries. The Company management deems these risks as total credit risk to the counterparty.

The Company monitors the credit risk of financial assets and receivables from insurance operations (including reinsurance receivables) by limiting the aggregate risk to any individual counterpart and covered by collaterals. Other explanations in relation to these receivables are included in Note 12.

The Company's financial assets except for loans and receivables which are subject to credit risk are generally composed of domestic government bonds and time and demand deposits kept in banks and other financial institutions in Turkey and such receivables are not deemed to have high credit risk.

(c) Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

The table below analyses the Company's financial liabilities and insurance liabilities into relevant maturity groups based on the expected remaining period at the balance sheet or contractual maturity date. The amounts disclosed in table are the undiscounted cash flows:

	Contractual cash flows				
31 December 2011	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Payables to insurance and reinsurance companies	18.674.702	13.552.737	-	-	32.227.439
Other payables	2.988.728	2.790.966	4.131.808	-	9.911.502
Payables from leasing operations	29.225	50.027	12.342	-	91.594
Premium reserves	21.136	-	-	-	21.136
Total	**21.713.791**	**16.393.730**	**4.144.150**	**-**	**42.251.671**

	Expected cash flows				
31 December 2011	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Outstanding claim provision - net (*)	37.678.644	22.051.486	13.329.529	3.557.716	76.617.375
Unearned premium reserve - net (*)	4.897.405	65.750.370	2.404.738	505.334	73.557.847
Unexpired risks reserve - net (*)	137.147	1.841.278	67.342	14.152	2.059.919
Equalisation reserve - net	-	-	-	2.944.270	2.944.270
Total	**42.713.196**	**89.643.134**	**15.801.609**	**7.021.472**	**155.179.411**

	Contractual cash flows				
31 December 2010	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Payables to insurance and reinsurance companies	7.401.097	23.639.074	-	-	31.040.171
Other payables	3.032.941	-	-	-	3.032.941
Payables from leasing operations	111.746	169.813	73.447	-	355.006
Premium reserves	21.223	-	-	-	21.223
Total	**10.567.007**	**23.808.887**	**73.447**	**-**	**34.449.341**

	Expected cash flows				
31 December 2010	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Outstanding claim provision - net (*)	40.310.121	23.591.562	14.260.464	3.806.187	81.968.334
Unearned premium reserve - net (*)	3.715.636	66.493.432	2.968.238	40.855	73.218.161
Unexpired risks reserve - net (*)	183.824	3.289.624	146.847	2.021	3.622.316
Equalisation reserve - net	-	-	-	1.993.091	1.993.091
Total	**44.209.581**	**93.374.618**	**17.375.549**	**5.842.154**	**160.801.902**

(*) The Company expects to make payment of outstanding claims under legal follow-up in a period more than one year. Besides, the Company estimates the payment terms of other outstanding claims by considering previous years' payment terms. Unearned premium reserve calculated on the long-term policies are shown as long-term in the table above. Outstanding claim provisions and unearned premium reserves are classified as short-term in the balance sheet.

The Company foresees to fulfil the above-explained liabilities by its financial assets and cash or cash equivalents included in the assets.

4. Management of insurance and financial risk (Continued)

Fair value of the financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. In fact, analysis of market information needs interpretation and judgement.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year end exchange rates, are considered to approximate carrying values. The fair values of certain financial assets carried at amortised cost, including cash and cash equivalents are considered to approximate their respective carrying values carried at amortised cost due to their short-term nature. The fair value of premiums receivable along with related provision for overdue receivables is considered to approximate respective carrying values carried at amortised cost. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

Financial liabilities

The fair values of liabilities on main operations and other financial liabilities are considered to approximate to their respective carrying values.

Capital Management

The Company's objectives when managing the capital are:

- to comply with the capital requirements required by Treasury,
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

As of 31 December 2011, the minimum required shareholders' equity amount is calculated as TL 78.415.082 (31 December 2010: TL 77.799.213) within the framework of the related regulations on capital adequacy. Based on the regulation issued on 19 January 2009 related to the "Evaluation and Assessment of the Capital Adequacy of the Insurance, Reinsurance and Pension Companies", the shareholders' equity calculated as at 31 December 2011 is higher than the minimum required shareholders' equity by TL 10.990.288 (31 December 2010: TL 24.294.784 lower).

5. Segment information

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

Fire Insurance

With fire insurance, physical damages occured from fire, explosion, lightning or fire and explosion resulting from smoke, steam and heat are guaranteed up to insurance amount.

Marine Insurance

This segment contains insurance of commodities, valuable goods and domestic transportation liability. The Company guarantees insurer's goods against the possible losses during the shipping by the commodity insurance; insures valuable papers (such as cheques, bonds, share certificates), precious metals and jewels moved by transport vehicles by insurance of valuable goods. The Company insures the liabilities arising from legal rights while domestic transportation of goods, belongs to the third parties, carried by shipping companies and/or individuals by insurance of domestic transportation.

Accident Insurance

This segment contains line of businesses such as motor own damage, motor third party liability, rail vehicles, liability, branches of financial liability, branches of compulsory liability, personal accident and legal protection. The company guarantees material damages consequences of benefits arising from motor, non-motor vehicles, trailers or caravans, suitable for use at the road, caterpillars and rubber track type tractors; in case of accidents with other suitable motor, non-motor vehicles; accidents related with impacts (hit, rollover, drop, tumble) of stationary or moving objects result of sudden and external effects out of the insured's or driver's will to the moving or stable vehicles; behaviours of third parties cause of malicious intentions or prankishness; fire risk, stealing or attempt of stealing the vehicle risks by motor own damage insurance.

The Company guarantees legal liabilities due to a person's death or injury or a damage of any good during operation of the motor vehicles stated in the policy, with respect to Road Traffic Act numbered 2918 up to the compulsory insurance limits.

Damages, depending on the vehicle, towed away trailers or semi-trailers (including light trailers) or caused by towed away vehicle, are covered by insurance of tow truck. However, for the trailers used to transport people, involves to the assurance with provided supplementary liability insurance which has special conditions specified in the policy.

In order to prevent or minimize the losses of an accident, the Company fulfils reasonable and necessary expenses, paid by policy holder. This also provides a sort of defense of the operator (policy holder) against unjustified requests.

Engineering Insurance

This segment contains line of business about machinery breakdowns, erection, construction and electronic devices. The company provides coverage for the cases of breakdown or failure of any type of machine by machinery breakdown insurance; and insures risks due to technical and human faults during the erection of machinery and equipment in the the constructions completed by erection insurance. All construction activities may be covered by construction insurance and all electronic devices are covered for user omissions, theft, faulty design, electrical disturbances, fire, flooding, lightning, landslide, earthquake, alternative usage by the electronic device insurance.

Other Lines of Businesses

This segment contains health, agriculture and compulsory earthquake insurance. Health insurance provides coverage for necessary expenses for treatments and daily indemnity, if applicable, due to illness and/or accidental injuries, up to the amounts stated in the policy, under general conditions or applicable specific conditions. Territorial limits of the insurance are stated in the policy. Compulsory earthquake insurance provides guarantee against material damages of buildings and groundings directy due to earthquake; and fire, explotion and landslides due to earthquake.

Segment results for the period 1 January - 31 December 2011:

	Accident	Fire	Engineering	Marine	Other	Unallocated	Total
NON-LIFE TECHNICAL INCOME	**111.303.875**	**18.353.588**	**14.678.364**	**11.594.777**	**4.059.185**	**-**	**159.989.789**
1- Earned Premiums (Net of Reinsurers' Share)	111.306.206	11.170.774	5.669.960	8.134.952	815.017	-	137.096.909
1.1- Written Premiums (Net of Reinsurers' Share)	111.183.452	9.836.383	5.715.537	8.322.848	815.978	-	135.874.198
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share)	(1.439.643)	1.334.391	(45.577)	(187.896)	(961)	-	(339.686)
1.3 - Unexpired Risks Reserve (Net of Reinsurers' Share)	1.562.397	-	-	-	-	-	1.562.397
2- Other Technical Income (Net of Reinsurers' Share)	(2.922.112)	354.422	135.442	968.969	(34.192)	-	(1.497.471)
3- Commissions Received (Note 32)	2.919.781	6.828.392	8.872.962	2.490.856	3.278.360	-	24.390.351
NON-LIFE TECHNICAL EXPENSE (-)	**(107.125.639)**	**(13.959.809)**	**(7.657.249)**	**(4.163.318)**	**(2.245.720)**	**-**	**(135.151.735)**
1- Incurred Losses (Net of Reinsurers' Share)	(86.187.407)	(6.083.854)	(2.804.684)	(1.332.282)	(738.866)	-	(97.147.093)
1.1- Paid Claims (Net of Reinsurers' Share)	(90.457.803)	(7.224.262)	(2.760.502)	(1.447.639)	(607.846)	-	(102.498.052)
1.2- Change in Outstanding Claims Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	4.270.396	1.140.408	(44.182)	115.357	(131.020)	-	5.350.959
2- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(215.852)	(578.805)	(156.522)	-	-	-	(951.179)
3- Commission Expenses (Note 32)	(20.722.380)	(7.297.150)	(4.696.043)	(2.831.036)	(1.506.854)	-	(37.053.463)
TECHNICAL BALANCE– NON-LIFE	**4.178.236**	**4.393.779**	**7.021.115**	**7.431.459**	**1.813.465**	**-**	**24.838.054**
Personnel Expenses (Note 32)	-	-	-	-	-	(16.111.154)	(16.111.154)
Other Operating Expenses (-)	-	-	-	-	-	(12.634.354)	(12.634.354)
Investment Income (Note 26)	-	-	-	-	-	6.832.584	6.832.584
Investment Expenses (-)	-	-	-	-	-	(1.122.919)	(1.122.919)
Net Foreign Exchange Income (Note 36)	-	-	-	-	-	6.322.582	6.322.582
Depreciation Expenses (-) (Note 6.1)	-	-	-	-	-	(2.641.275)	(2.641.275)
Profits and Losses from Other Operations (+/-)	-	-	-	-	-	(5.143.141)	(5.143.141)
Net Income for the Period							**340.377**

The Company does not allocate its assets to the segments and evaluates assets aggregately.

5. Segment Information (Continued)

Segment results for the period 1 January - 31 December 2011

	Accident	Fire	Engineering	Marine	Other	Unallocated	Total
NON-LIFE TECHNICAL INCOME	**124.770.494**	**16.517.126**	**14.175.844**	**10.564.568**	**2.043.357**	**-**	**168.071.389**
1- Earned Premiums (Net of Reinsurers' Share)	123.046.621	10.958.857	5.107.978	6.657.180	50.121	-	145.820.757
1.1- Written Premiums (Net of Reinsurers' Share)	113.660.018	12.095.586	4.311.036	6.921.891	299.611	-	137.288.142
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share)	12.965.577	(1.136.729)	410.028	(264.711)	(249.490)	-	11.724.675
1.3- Unexpired Risks Reserve (Net of Reinsurers' Share)	(3.578.974)	-	386.914	-	-	-	(3.192.060)
2- Other Technical Income (Net of Reinsurers' Share)	(4.173.165)	(36.693)	115.548	724.622	(316)	-	(3.370.004)
3- Commissions Received (Note 32)	5.897.038	5.594.962	8.952.318	3.182.766	1.993.552	-	25.620.636
NON-LIFE TECHNICAL EXPENSE (-)	**(140.856.869)**	**(12.578.168)**	**(5.691.724)**	**(4.586.980)**	**(1.544.559)**	**-**	**(165.258.300)**
1- Incurred Losses (Net of Reinsurers' Share)	(114.105.320)	(4.909.470)	(1.673.789)	(1.290.260)	(19.817)	-	(121.998.656)
1.1- Paid Claims (Net of Reinsurers' Share)	(101.095.306)	(3.622.048)	(2.164.377)	(1.119.841)	(13.283)	-	(108.014.855)
1.2- Change in Outstanding Claims Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(13.010.014)	(1.287.422)	490.588	(170.419)	(6.534)	-	(13.983.801)
2- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(191.801)	(536.636)	(124.598)	-	-	-	(853.035)
3- Commission Expenses (Note 32)	(26.559.748)	(7.132.062)	(3.893.337)	(3.296.720)	(1.524.742)	-	(42.406.609)
TECHNICAL BALANCE– NON-LIFE	**(16.086.375)**	**3.938.958**	**8.484.120**	**5.977.588**	**498.798**	**-**	**2.813.089**
Personnel Expenses (Note 32)	-	-	-	-	-	(15.539.433)	(15.539.433)
Other Operating Expenses (-)	-	-	-	-	-	(12.521.578)	(12.521.578)
Investment Income (Note 26)	-	-	-	-	-	5.145.901	5.145.901
Investment Expenses (-)	-	-	-	-	-	(1.158.640)	(1.158.640)
Net Foreign Exchange Losses (Note 36)	-	-	-	-	-	(511.312)	(511.312)
Depreciation Expenses (-) (Note 6.1)	-	-	-	-	-	(3.000.467)	(3.000.467)
Profits and Losses from Other Operations (+/-)	-	-	-	-	-	(3.825.773)	(3.825.773)
Net Loss for the Period (-)							**(28.598.213)**

6. Tangible Assets

6.1 Depreciation and amortisation expenses for the period: TL 2.641.275 (1 January - 31 December 2010: TL 3.000.467).

6.1.1 Depreciation expense: TL 1.667.279 (1 January - 31 December 2010: TL 1.755.834).

6.1.2 Amortisation expense: TL 973.996 (1 January - 31 December 2010: TL 1.244.633).

6.2 Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year: None (31 December 2010: None).

6.3 Movements of property and equipment in the current period:

6.3.1 Cost of property and equipment purchased: TL 496.766 (1 January - 31 December 2010: TL 639.221).

6.3.2 Cost of property and equipment sold or used as scrap: TL 5.531.828 (1 January - 31 December 2010: TL 225.589).

6.3.3 Revaluation increases in the current period:

6.3.3.1 Cost of fixed assets (+): TL 8.859.670 (1 January - 31 December 2010: None).

6.3.3.2 Accumulated depreciation (-): TL 1.836.636 (1 January - 31 December 2010: None).

6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: None (31 December 2010: None).

Movement table of tangible assets is as follows:

	1 January 2011	Additions	Revaluation increase	Disposals	31 December 2011
Cost/Revalued Amount:					
Property for operational use	23.739.635	-	8.859.670	-	32.599.305
Furniture and fixtures	7.173.225	74.950	-	(4.261.876)	2.986.299
Motor vehicles	495.607	408.219	-	(358.137)	545.689
Other tangible assets (Leasehold improvements included)	3.101.670	13.597	-	(911.815)	2.203.452
Leased assets	1.689.968	-	-	-	1.689.968
	36.200.105	**496.766**	**8.859.670**	**(5.531.828)**	**40.024.713**
Accumulated depreciation:					
Property for operational use	(1.224.424)	(637.898)	1.836.636	-	(25.686)
Furniture and fixtures	(6.325.116)	(379.985)	-	4.230.583	(2.474.518)
Motor vehicles	(381.202)	(112.046)	-	308.578	(184.670)
Other tangible assets (Leasehold improvements included)	(2.490.275)	(256.958)	-	918.135	(1.829.098)
Leased assets	(999.242)	(280.392)	-	-	(1.279.634)
	(11.420.259)	**(1.667.279)**	**1.836.636**	**5.457.296**	**(5.793.606)**
Net book value	**24.779.846**				**34.231.107**

	1 January 2010	Transfers	Additions	Disposals	31 December 2010
Cost/Revalued Amount:					
Property for operational use	23.739.635	-	-	-	23.739.635
Furniture and fixtures	7.067.238	(151.675)	361.027	(103.365)	7.173.225
Motor vehicles	573.231	-	21.000	(98.624)	495.607
Other tangible assets (Leasehold improvements included)	2.948.270	-	177.000	(23.600)	3.101.670
Leased assets	1.609.774	-	80.194	-	1.689.968
	35.938.148	**(151.675)**	**639.221**	**(225.589)**	**36.200.105**
Accumulated depreciation:					
Property for operational use	(612.212)	-	(612.212)	-	(1.224.424)
Furniture and fixtures	(6.075.881)	151.675	(496.852)	95.942	(6.325.116)
Motor vehicles	(351.169)	-	(99.195)	69.162	(381.202)
Other tangible assets (Leasehold improvements included)	(2.234.557)	-	(262.798)	7.080	(2.490.275)
Leased assets	(714.465)	-	(284.777)	-	(999.242)
	(9.988.284)	**151.675**	**(1.755.834)**	**172.184**	**(11.420.259)**
Net book value	**25.949.864**				**24.779.846**

The Company's buildings for operational use are revalued. Headquarter building located in İstanbul and İzmir office building are presented in financial statements at the amounts determined in the expertise report dated 27 October

2011 and 26 October 2011, respectively, prepared by the independent professional valuation firm, TSKB Gayrimenkul Değerleme A.Ş., via comparison of sales method:

	31 December 2011	31 December 2010
Headquarter building	31.450.000	22.714.000
İzmir Office	1.070.000	941.000
Other	79.305	84.635
Total	**32.599.305**	**23.739.635**

Revaluation increases arising from valuation of land and buildings, net of deferred tax effects, are credited to "Other Profit Reserves" under shareholders' equity. Revaluation decreases arising from valuation of land and buildings are charged against "Other Profit Reserves" for the corresponding asset under shareholders' equity. Revaluation decreases regarding the assets without balances in "Other Profit Reserves" under shareholders' equity are charged to the income statement.

Valuation increase in properties for operational use amounted to TL 10.696.306 for the period 1 January - 31 December 2011 (1 January - 31 December 2010: None) (Note 15).

Cost and accumulated depreciation amounts of the buildings measured at revalued amounts before revaluation as of 31 December 2011 and 2010 are stated below:

	31 December 2011	31 December 2010
Cost	17.057.975	17.057.975
Accumulated depreciation (-)	(4.482.478)	(4.139.462)
Net book value	**12.575.497**	**12.918.513**

The movement of the revaluation increases for the buildings accounted for using revaluation model, for the year ended 31 December 2011 and 2010, is as follows:

	31 December 2011	31 December 2010
Revalued amount	32.599.305	23.739.635
Accumulated depreciation (-)	(25.686)	(1.224.424)
Accumulated depreciation deducted revalued amount	**32.573.619**	**22.515.211**
Net book value calculated based on cost	(12.575.497)	(12.918.513)
Revaluation fund before tax	**19.998.122**	**9.596.698**
Calculated deferred tax liability (-)	(4.001.109)	(1.919.339)
Revaluation fund - net	**15.997.013**	**7.677.359**

As of 31 December 2011, the Company's mortgage amount over properties for operational use in favour of the Treasury is TL 6.300 (31 December 2010: TL 6.300).

7. Investment properties

None (31 December 2010: None).

8. Intangible Assets

	1 January 2011	Additions	Disposals	31 December 2011
Cost:				
Rights	5.481.068	633.602	(1.862.495)	4.252.175
	5.481.068	**633.602**	**(1.862.495)**	**4.252.175**
Accumulated depreciation:				
Rights	(3.971.218)	(973.996)	1.851.169	(3.094.045)
	(3.971.218)	**(973.996)**	**1.851.169**	**(3.094.045)**
Net book value	**1.509.850**			**1.158.130**

	1 January 2010	Transfers	Additions	31 December 2010
Cost:				
Rights	4.455.072	151.675	874.321	5.481.068
	4.455.072	**151.675**	**874.321**	**5.481.068**
Accumulated depreciation:				
Rights	(2.574.910)	(151.675)	(1.244.633)	(3.971.218)
	(2.574.910)	**(151.675)**	**(1.244.633)**	**(3.971.218)**
Net book value	**1.880.162**			**1.509.850**

9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method as of 31 December 2011 (31 December 2010: None).

10. Reinsurance Assets

	31 December 2011	31 December 2010
Reinsurers' share of unearned premium reserve (Note 17)	59.808.830	58.391.664
Reinsurers' share of outstanding claims provision (Note 17)	71.628.779	75.518.640
Reinsurers' share of unexpired risks reserves (Note 17)	759.157	706.524
Premium reserves received from insurance and reinsurance companies (Note 19)	(21.136)	(21.223)
Deferred reinsurance commission income (Notes 17 and 19)	(15.174.419)	(12.542.070)
Payables to reinsurance companies - net	(19.041.274)	(19.136.874)

	1 January - 31 December 2011	1 January - 31 December 2010
Reinsurance Income /(Expenses)		
Reinsurers' share of paid claims	77.160.797	39.845.352
Commissions received from reinsurers (gross)	27.022.700	22.970.098
SSI share of change in unearned premiums reserve (Notes 2.14 and 17) (*)	1.857.051	-
Reinsurers' share of change in unexpired risks reserve (Note 17)	52.633	706.524
Reinsurers' share of change in unearned premiums reserve (SSI share excluded)	(439.885)	(37.561)
Premiums ceded to SSI (Notes 2.14 and 24) (**)	(2.578.918)	-
Change in deferral of commissions received from reinsurers	(2.632.349)	2.650.538
Reinsurers' share of change in outstanding claims reserve	(3.889.861)	732.392
Ceded premiums (SSI share excluded)	(114.509.694)	(115.086.086)

(*) Presented under the reinsurers' share of change in unearned premium reserve in the income statement.
(**) Presented under the "Ceded Premiums" in the income statement.

Information about reinsurance agreements is disclosed in note 2.14.

11. Financial assets

11.1 The Company's financial assets by measurement category:

	31 December 2011		
	Blocked	Non-Blocked	Total
Marketable Securities			
Financial assets held for trading			
Government bonds (*)	-	1.798.836	1.798.836
Share certificates (**)	-	169.495	169.495
Total	**-**	**1.968.331**	**1.968.331**

(*) Interest rates of government bonds in the trading portfolio vary between 4,2% and 10,8% (31 December 2010: None).
(**) All share certificates included in the trading portfolio are quoted in İstanbul Stock Exchange Market.

The Company has no financial assets other than "Loans and Receivabless" as of 31 December 2010.

Loans and receivables	31 December 2011	31 December 2010
Loans and receivables (Note 12.1)	109.753.890	102.363.417
Total	**109.753.890**	**102.363.417**

11.2 Marketable securities issued during the year other than share certificates: None (31 December 2010: None).

11.3 Debt securities issued during the year: None (31 December 2010: None).

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets shown at market value:

Marketable Securities	31 December 2011		31 December 2010	
	Cost	Carrying value (Fair value)	Cost	Carrying value (Fair Value)
Government bonds	1.965.455	1.798.836	-	-
Share certificates	229.928	169.495	-	-
Total	**2.195.383**	**1.968.331**	**-**	**-**

The detailed information about non-current financial assets is disclosed in Note 45.2

11.5 Marketable securities under "Marketable Securities and Investment Securities" account group and issued by the Company's shareholders, investments or subsidiaries and the issuers: None (31 December 2010: None).

11.6 Value increase on financial assets in the last three years: None (31 December 2010: None).

11.7 - 11.9 Other information about financial assets: The interest income and fair value losses from financial assets held-for-trading is minus TL 16.506 (1 January - 31 December 2010: None) accounted under investment income in the income statement (Note 26).

Financial assets maturity analysis:

	31 December 2011						
	No Stated Maturity	0 - 3 months	3 - 6 months	6 months - 1 year	1 - 3 year	More than 3 years	Total
Government bonds	-	-	-	1.692.807	-	106.029	1.798.836
Share certificates	169.495	-	-	-	-	-	169.495
Total	**169.495**	**-**	**-**	**1.692.807**	**-**	**106.029**	**1.968.331**

The Company has no financial assets as of 31 December 2010.

Financial assets are denominated in TL as of 31 December 2011 (31 December 2010: None).

12. Loans and receivables

12.1 Classification of the receivables as receivables from main customers, receivables from interested parties, receivables for the advance payment (short-term and long-term prepayment) and the others

	31 December 2011	31 December 2010
Receivables from intermediaries	78.156.937	72.207.726
Receivables from policyholders	15.914.022	16.482.566
Receivables from reinsurance companies	12.692.793	10.852.199
Claim recovery and salvage receivables - net	4.249.558	4.181.932
Due from insurance operations	**111.013.310**	**103.724.423**
Premium reserve from reinsurance and insurance companies	9.213	9.213
Receivables from reinsurance and insurance companies	**111.022.523**	**103.733.636**
Claim recovery receivables under legal follow-up - gross	21.163.153	17.366.398
Doubtful receivables from main operations - gross	11.192.952	9.364.002
Receivables from main operations - gross	**143.378.628**	**130.464.036**
Provision for receivables from insurance operations (*)	(508.705)	(1.296.862)
Provision for claim recovery and salvage receivables (*)	(759.928)	(73.357)
Provision for doubtful receivables from policyholders and intermediaries (**)	(11.192.952)	(9.364.002)
Provision for net claim recovery receivables under legal follow-up (**)	(21.163.153)	(17.366.398)
Provision for overdue and not overdue receivables	**(33.624.738)**	**(28.100.619)**
Receivables from main operations – net (Note 11.1)	**109.753.890**	**102.363.417**

(*) Disclosed under provision for receivables from insurance operations in the balance sheet.
(**) Disclosed under provision for doubtful receivables from main operations in the balance sheet.

12.2 **Due from/due to shareholders, investments and subsidiaries:** Balances and transactions with the related parties are disclosed in Note 45.

12.3 **Total mortgages and collateral obtained for receivables:** The details of guarantees and collaterals obtained are as follows:

	31 December 2011	31 December 2010
Real estate mortgages	24.343.447	30.163.227
Letters of guarantee	6.430.405	7.694.589
Collateral bills	3.905.538	2.408.585
Collateral cheques	2.802.696	1.995.999
Cash	845.020	797.806
Public securities	115.379	245.416
Other guarantees	2.308.725	3.217.115
Total	**40.751.210**	**46.522.737**

The Company has no real estate mortagage and letter of guarantees denominated in foreign currency as of 31 December 2011 and 2010.

12.4 Receivables and payables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:

Loans and Receivables

31 December 2011			
Currency Type	**Foreign Currency Amount**	**Exchange Rate**	**Amount TL**
USD	15.412.471	1,8889	29.112.616
EUR	3.624.964	2,4438	8.858.687
CHF	221.436	2,0062	444.245
GBP	68.332	2,9170	199.324
JPY	4.532.699	0,0243	110.145
DKK	9.496	0,3287	3.121
SEK	903	0,2722	246
Total			**38.728.384**

31 December 2010			
Currency Type	**Foreign Currency Amount**	**Exchange Rate**	**Amount TL**
USD	16.875.219	1,5460	26.089.089
EUR	3.612.487	2,0491	7.402.347
CHF	336.336	1,6438	552.869
GBP	91.297	2,3886	218.072
JPY	5.566.502	0,0189	105.207
DKK	2.066	0,2749	568
CAD	7.904	1,5467	12.225
Total			**34.380.377**

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2011	**31 December 2010**
Overdue	9.899.503	12.917.668
Up to 3 months	44.902.672	41.571.726
3 to 6 months	36.172.506	31.224.744
6 months to 1 year	16.970.571	14.812.346
Over 1 year	3.068.058	3.197.939
Receivables from insurance operations - gross	**111.013.310**	**103.724.423**
Premium reserves from reinsurance and insurance companies	9.213	9.213
Provisions for receivables from insurance operations (-)	(1.268.633)	(1.370.219)
Receivables from insurance operations - net	**109.753.890**	**102.363.417**

The movement of provision for receivables from insurance operations is as follows:

	2011	**2010**
Opening balance - 1 January	1.370.219	1.443.871
Net change for the period	(101.586)	(73.652)
Closing balance - 31 December	**1.268.633**	**1.370.219**

The movement of provision for net claim recovery receivables under legal follow-up is as follows:

	2011	**2010**
Opening balance - 1 January	17.366.398	15.513.163
Net increase for the period (Note 47.5)	3.796.755	1.853.235
Closing balance - 31 December	**21.163.153**	**17.366.398**

The movement of provision for doubtful receivables from main operations is as follows:

	2011	**2010**
Opening balance - 1 January	9.364.002	8.561.922
Net increase for the period (Note 47.5)	1.828.950	802.080
Closing balance - 31 December	**11.192.952**	**9.364.002**

12.5 - 12.7 Other information about loans and receivables (Continued):

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	31 December 2011	31 December 2010
Up to 1 month	1.293.736	1.509.293
1-2 months	1.558.488	1.219.175
Over 2 months	6.538.574	8.892.338
Total	**9.390.798**	**11.620.806**

Total guarantee amounts received for receivables disclosed above are as follows:

	31 December 2011	31 December 2010
Real estate mortgage	9.452.462	13.087.025
Letters of guarantee	4.176.600	2.000.005
Other guarantees	62.488	302.957
Total	**13.691.550**	**15.389.987**

Considering the intermediaries from which collaterals received are higher than receivable amounts, utilisable collaterals
for overdue receivables are calculated as TL 4.759.853 (31 December 2010: TL 6.980.405).

13. Derivative financial instruments

None (31 December 2010: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the periods 1 January - 31 December 2011 and 2010 are disclosed in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2011	31 December 2010
Cash	31.336	30.196
Cheques received	2.530	73.411
Bank deposits	119.443.638	99.956.129
Credit card receivables	15.519.723	10.976.923
Total	**134.997.227**	**111.036.659**
Foreign currency denominated bank deposits		
- demand deposits	1.189.321	30.060
- time deposits	9.092.232	20.315.915
	10.281.553	**20.345.975**
Bank deposits in TL		
- demand deposits	7.604.576	9.305.883
- time deposits	101.557.509	70.304.271
	109.162.085	**79.610.154**
Total	**119.443.638**	**99.956.129**

The maturities of the Company's time deposits as of 31 December 2011 and 2010 are less than 3 months.

As of 31 December 2011, deposits amounting to TL 32.038.653 (31 December 2010: TL 32.345.225) and TL 179.267 (31 December 2010: TL 165.947) are blocked in favor of the Treasury and TARSİM, respectively (Note 43).

Weighted average interest rates of time deposits:

	31 December 2011 (%)	31 December 2010 (%)
TL	11,56	8,62
USD	1,08	3,45
EUR	1,52	3,05

Foreign currency denominated time and demand deposits are as follows:

	31 December 2011			
	Foreign currency		TL equivalent	
	Time	Demand	Time	Demand
USD	3.430.075	273.350	6.479.068	516.330
EUR	1.069.303	177.992	2.613.164	434.977
CHF	-	68.590	-	137.604
JPY	-	3.425.618	-	83.380
GBP	-	5.838	-	17.030
Total			**9.092.232**	**1.189.321**

	31 December 2010			
	Foreign currency		TL equivalent	
	Time	Demand	Time	Demand
USD	4.002.222	11.497	6.187.435	17.774
EUR	6.894.968	5.975	14.128.480	12.244
GBP	-	25	-	42
Total			**20.315.915**	**30.060**

15. Capital

As of 31 December 2011, the Company's total amount of nominal shares is 16.306.985.600 (31 December 2010: 13.706.985.600) which has all been paid. The face value of the Company's common stocks is Kr 1 each and the total nominal amount is TL 163.069.856 (31 December 2010: TL137.069.856).

Movement of common stocks at opening balance and closing balance is as follows:

	1 January 2011		Issued Capital		Amortised		31 December 2011	
	Unit	Nominal TL	Unit	Nominal TL	Nominal Unit	Nominal TL	Unit	Nominal TL
Paid	13.706.985.600	137.069.856	2.600.000.000	26.000.000	-	-	16.306.985.600	163.069.856
Total	**13.706.985.600**	**137.069.856**	**2.600.000.000**	**26.000.000**	**-**	**-**	**16.306.985.600**	**163.069.856**

	1 January 2010		Issued Capital		Amortised		31 December 2010	
	Unit	Nominal TL	Unit	Nominal TL	Nominal Unit	Nominal TL	Unit	Nominal TL
Paid	9.702.000.000	97.020.000	4.004.985.600	40.049.856	-	-	13.706.985.600	137.069.856
Total	**9.702.000.000**	**97.020.000**	**4.004.985.600**	**40.049.856**	**-**	**-**	**13.706.985.600**	**137.069.856**

Disclosures related to the capital increase in the periods 1 January - 31 December 2011 and 2010 are included in Note 2.13.

Profit Reserves:

Details of the profit reserves are explained below:

	31 December 2011	31 December 2010
Earthquake provision transferred to profit reserve	9.265.403	9.265.403
Revaluation fund	15.997.013	7.677.359
Total	**25.262.416**	**16.942.762**

The movement of the revaluation fund is as follows:

	2011	2010
Beginning of the period - 1 January	7.677.359	7.894.201
Revaluation increase in property for operational use	10.696.306	-
Deferred tax effect of revaluation increase in property for operational use (Note 21)	(2.139.261)	-
Depreciation differences transferred to retained earnings	(237.391)	(216.842)
End of period- 31 December	**15.997.013**	**7.677.359**

(*) In accordance with "TMS 16 - Tangible Assets", the Company accounts for property for operational use using the revaluation model. Increases in the carrying amounts arising on revaluation of properties, net of tax, are accounted for in "Other profit reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's original cost is transferred from "Other profit reserves" to retained earnings. In accordance with the current regulation, revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases (Note 6).

16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified in share capital is explained in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided and guarantees provided for life and non-life branches:

	31 December 2011	31 December 2010
Required guarantee amount to be provided for non-life branches (*)	26.138.361	25.933.071
Guarantees provided for non-life branches	32.038.653	32.345.225

(*) Under the article 4 of the "The Communiqué on the Financial Structure of Insurance, Reinsurance and Pension Companies", published in accordance with the Insurance Law, in the Official Gazette dated 7 August 2007 and numbered 26606, the insurance companies and private pension companies operating in life and personal accident branches are required to provide guarantees that equal to one third of required capital amount as determined by capital adequacy calculation, as Minimum Guarantee Fund, in each capital adequacy calculation period.

17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status: None (1 January - 31 December 2010: None).

17.3 Guarantee amount to be provided for life branch: Disclosed in Note 4.

17.4 Unit prices of pension funds and savings founded by the Company: None (31 December 2010: None).

17.5 Units and amounts of share certificates in portfolio and in circulation: None (31 December 2010: None).

17.6 Numbers and portfolio amounts of the individual and group pension funds' participants (entered, left, cancelled during the period and the current participants): None (1 January - 31 December 2010: None).

17.7 Valuation methods of profit share calculation for life insurance: None (31 December 2010: None).

17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants at the Company during the period: None (1 January - 31 December 2010: None).

17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from another company during the period: None (1 January - 31 December 2010: None).

17.10 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from the life insurance portfolio to the private pension fund portfolio during the period: None (1 January - 31 December 2010: None).

17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants that left the Company and transferred to another company or that left the Company but did not transfer to another company: None (1 January - 31 December 2010: None).

17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period: None (1 January - 31 December 2010: None).

17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period: None (1 January - 31 December 2010: None).

17.14 Profit share allocation rate to the life policyholders: None (1 January - 31 December 2010: None).

17.15 - 17.19 Other required information about liabilities from insurance agreements:

Outstanding claims provision:

	2011		
	Gross	Reinsurers'share	Net
Opening reported outstanding claim provision - 1 January	121.859.831	(64.377.254)	57.482.577
Outstanding claims provisions closed due to SSI Regulations (Notes 2.24 and 19)	(1.684.759)	-	(1.684.759)
Paid Claims	(36.087.773)	11.475.057	(24.612.716)
Increase			
- Current period outstanding claims	43.860.260	(19.060.170)	24.800.090
- Prior years' outstanding claims	1.602.957	(898.229)	704.728
Closing reported outstanding claim provision - 31 December	**129.550.516**	**(72.860.596)**	**56.689.920**
Incurred but not reported claims (Note 2.24)	28.235.453	(6.541.561)	21.693.892
Claim adequacy provision (Note 2.24)	1.243.850	(1.194.822)	49.028
Deduction amount calculated in accordance with winning ratio (Note 2.24)	(10.783.665)	8.968.200	(1.815.465)
Total	**148.246.154**	**(71.628.779)**	**76.617.375**

	2010		
	Gross	Reinsurers'share	Net
Opening reported outstanding claim provision - 1 January	108.293.706	(58.318.640)	49.975.066
Paid Claims	(42.135.189)	19.474.102	(22.661.087)
Increase			
- Current period outstanding claims	38.637.006	(11.608.231)	27.028.775
- Prior years' outstanding claims	17.064.308	(13.924.485)	3.139.823
Closing reported outstanding claim provision - 31 December	**121.859.831**	**(64.377.254)**	**57.482.577**
Incurred but not reported claims (Note 2.24)	27.996.691	(3.863.385)	24.133.306
Claim adequacy provision (Note 2.24)	7.630.452	(7.278.001)	352.451
Total	**157.486.974**	**(75.518.640)**	**81.968.334**

Unearned Premium Reserve

	2011		
	Gross	Reinsurers'share	Net
Opening balance - 1 January	131.609.825	(58.391.664)	73.218.161
Net change (*)	1.756.852	(1.417.166)	339.686
Closing balance -31 December	**133.366.677**	**(59.808.830)**	**73.557.847**

(*) As discussed in Note 2.14, reinsurance share of unearned premium reserve as of 31 December 2011 includes SSI share of unearned premium reserve amounting to TL 1.857.051 calculated on a daily basis over premiums ceded to SSI amounting to TL 2.578.918 (Note 19).

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

	2010		
	Gross	Reinsurers' share	Net
Opening balance - 1 January	143.372.061	(58.429.225)	84.942.836
Net change	(11.762.236)	37.561	(11.724.675)
Closing balance - 31 December	**131.609.825**	**(58.391.664)**	**73.218.161**

The deferred commission expense and deferred commission income amount to TL 19.819.033 (31 December 2010: TL 18.749.509) and TL 15.174.419 (31 December 2010: TL 12.542.070) as of 31 December 2011 and classified under deferred income and prepaid expenses, respectively (Note 19).

Unexpired risks reserve:

	2011		
	Gross	Reinsurers' share	Net
Opening balance - 1 January	4.328.840	(706.524)	3.622.316
Net change	(1.509.764)	(52.633)	(1.562.397)
Closing balance -31 December	**2.819.076**	**(759.157)**	**2.059.919**

	2010		
	Gross	Reinsurers' share	Net
Opening balance - 1 January	430.256	-	430.256
Net change	3.898.584	(706.524)	3.192.060
Closing balance -31 December	**4.328.840**	**(706.524)**	**3.622.316**

Equalisation Reserve (*):

	2011		
	Gross	Reinsurers' share	Net
Opening balance - 1 January	1.993.091	-	1.993.091
Net change	951.179	-	951.179
Closing balance -31 December	**2.944.270**	**-**	**2.944.270**

	2010		
	Gross	Reinsurers' share	Net
Opening balance - 1 January	1.140.056	-	1.140.056
Net change	853.035	-	853.035
Closing balance -31 December	**1.993.091**	**-**	**1.993.091**

(*) The reserve is calculated on a net basis as disclosed in Note 2.24.

Foreign currency denominated claims provisions are as follows:

	31 December 2011		
Foreign currency type	**Foreign currency amount**	**Foreign currency rate**	**Amount TL**
Euro	114.756	2,4556	281.795
USD	55.443	1,8980	105.231
Total			**387.026**

	31 December 2010		
Foreign currency type	**Foreign currency amount**	**Foreign currency rate**	**Amount TL**
USD	292.532	1,5535	454.448
Euro	8.955	2,0590	18.438
Total			**472.886**

Claim recovery income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follows:

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

	Claim Recovery Accrual					
	31 December 2011			31 December 2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Land Vehicles	3.337.635	(86.010)	3.251.625	4.113.022	(62.949)	4.050.073
Land Vehicles Liability	745.614	(37.281)	708.333	114.951	(5.614)	109.337
Marine	200.143	(56.956)	143.187	9.047	(2.215)	6.832
Fire and Catasrophic Losses	257.166	(160.862)	96.304	17.967	(2.729)	15.238
General Losses	170.881	(125.778)	45.103	4.898	(4.446)	452
Health/Illness	25.118	(20.112)	5.006	-	-	-
Total	**4.736.557**	**(486.999)**	**4.249.558**	**4.259.885**	**(77.953)**	**4.181.932**

	Claim Recovery Collections					
	1 January - 31 December 2011			1 January - 31 December 2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Land vehicles	22.876.912	(137.195)	22.739.717	27.466.321	(2.609.717)	24.856.604
Land Vehicles Liability	1.149.594	(47.749)	1.101.845	994.189	(97.891)	896.298
Marine	1.349.728	(843.785)	505.943	1.178.223	(928.330)	249.893
Fire and Catasrophic Losses	300.041	(96.468)	203.573	241.064	(128.990)	112.074
General Losses	287.864	(263.039)	24.825	201.005	(175.879)	25.126
General Liability	10.800	(8.640)	2.160	3.037	(2.161)	876
Fidelity	3.740	(1.870)	1.870	282.457	(224.623)	57.834
Health/Illness	10.496	(10.470)	26	-	-	-
Total	**25.989.175**	**(1.409.216)**	**24.579.959**	**30.366.296**	**(4.167.591)**	**26.198.705**

Wining Rate Calculations Related to Outstanding Claims Under Legal Follow Up:

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23, the Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favour of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years time as of 31 December 2011. The company has stated the discount rate by using the 8,64% winning rate in construction branch upon its calculation as of 31 December 2011, for all other branches included in the calculation, except the land vehicles and land vehicles liability that are not included in the calculation and the construction branch, 25% rate is used for determining the discount rate as the winning rate is calculated over 25%.

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves:

Claim development table on gross incurred claims basis as of 31 December 2011:

Accident year	1 January 2005 - 31 December 2005	1 January 2006 - 31 December 2006	1 January 2007 - 31 December 2007	1 January 2008 - 31 December 2008	1 January 2009 - 31 December 2009	1 January 2010 - 31 December 2010	1 January 2011 - 31 December 2011	Total Gross Incurred Claims
Claim incurred in the year of accident	174.224.664	257.666.960	220.771.846	225.144.488	232.641.280	216.175.692	183.032.716	1.509.657.646
1 year later	50.984.935	76.460.762	74.255.184	64.155.007	66.310.833	63.058.251	-	395.224.972
2 year later	17.171.078	29.920.758	29.030.354	22.879.269	66.732.458	-	-	165.733.917
3 year later	16.504.575	27.542.196	25.356.069	20.632.671	-	-	-	90.035.511
4 year later	14.849.526	26.537.751	25.448.891	-	-	-	-	66.836.168
5 year later	13.976.795	26.256.815	-	-	-	-	-	40.233.610
6 year later	12.687.822	-	-	-	-	-	-	12.687.822
Total incurred gross claims	**300.399.395**	**444.385.242**	**374.862.344**	**332.811.435**	**365.684.571**	**279.233.943**	**183.032.716**	**2.280.409.646**

31 Aralık 2010 tarihi itibariyle gerçekleşen hasar esasına göre hazırlanmış brüt hasar gelişim tablosu:

Accident year	1 January 2004 - 31 December 2004	1 January 2005 - 31 December 2005	1 January 2006 - 31 December 2006	1 January 2007 - 31 December 2007	1 January 2008 - 31 December 2008	1 January 2009 - 31 December 2009	1 January 2010 - 31 December 2010	Total Gross Incurred Claims
Claim incurred in the year of accident	137.398.008	177.717.363	269.403.019	224.734.978	227.636.498	235.191.673	217.511.677	1.489.593.216
1 yıl sonra	38.653.061	53.351.281	80.910.896	79.615.477	69.322.419	71.482.060	-	393.335.194
2 yıl sonra	12.202.640	18.900.740	32.487.182	34.854.149	28.766.947	-	-	127.211.658
3 yıl sonra	15.841.984	18.886.333	31.039.776	31.594.268	-	-	-	97.362.361
4 yıl sonra	9.768.290	19.061.247	29.835.216	-	-	-	-	58.664.753
5 yıl sonra	8.856.210	19.096.600	-	-	-	-	-	27.952.810
6 yıl sonra	8.526.540	-	-	-	-	-	-	8.526.540
Total incurred gross claims	**231.246.733**	**307.013.564**	**443.676.089**	**370.798.872**	**325.725.864**	**306.673.733**	**217.511.677**	**2.202.646.532**

17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):

In accordance with the Communique, as of 31 December 2010, the Company selected the most appropriate method for the ACLM calculation for each branch considering the aspects of the related branch, the structure of portfolio of the Company and in accordance with the decision of the Actuary of the Company and the selected methods have been used for the calculations as of 31 December 2011 and 2010. The methods used in ACLM calculations as of 31 December 2011 and 2010 for each branch, additional gross and net provision amounts and amounts to be deducted when the results are negative are as follows:

		31 December 2011		31 December 2010	
Branch	Applied Method	Gross Additional Provision (100%)	Net Additional Provision (100%)	Gross Additional Provision (100%)	Net Additional Provision (100%)
Compulsory motor third party liability	Standart	22.417.567	21.864.984	26.920.471	25.488.799
General liability	Cape Code	4.529.097	1.149.611	2.895.376	601.702
Accident	Standart	1.113.102	285.389	247.704	44.719
Voluntary Third Party Liability	Standart	911.534	852.077	850.780	806.398
Marine (*)	Standart	283.614	95.210	(5.915)	(12.440)
Water Vehicles (*)	Standart	199.858	13.476	(44.136)	(2.950)
Fire and Catasrophic Losses (*)	Standart	(216.728)	(105.334)	824.966	466.598
General losses (*)	Standart	(484.088)	(71.295)	(1.163.054)	(151.428)
Land vehicles (*)	Standart	(3.448.023)	(3.430.245)	(4.607.134)	(4.414.009)
		25.305.933	**20.653.873**	**25.919.058**	**22.827.389**
Additional provision for compulsory motor third party liability (**)		915.773	893.200	1.379.268	1.305.917
Total		**26.221.706**	**21.547.073**	**27.298.326**	**24.133.306**

(*) In accordance with the Communique dated 14 January 2011 numbered 2011/1, for the branches with negative ACLM calculation results, 50% of the negative result is deducted from outstanding claims provision of related branches.
(**) The Company evaluated the claim development in compulsory motor third party liability branch statistically with other actuarial methods and models and accounted for a net additional reserve amounting to TL 893.200 (31 December 2010: TL 1.305.917) as an addition to the incurred but not reported claim provision (Note 2.24).

As of 31 December 2011, the Company has described additional provision as result of calculations projected ACLM to test the adequacy of the amount of claims incurred but not reported for the amounts determined using this method below for inadequate and branches do not have the appropriate data set, as described in Note 2.24:

As discussed in Note 2.24, the Company has used the results calculated in accordance with test of the adequacy of the results of ACLM calculations to determine the incurred but not reported claims provision for the branches without proper and adequate data as of 31 December 2011:

	31 December 2011	31 December 2010
Rail Vehicles	156.420	-
Legal Protection	1.727	-
Health	923	-
Financial Losses	241	-
Fidelity	(12.492)	-
Total	**146.819**	**-**

The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with in force or related reinsurance agreements of the Company. The Company has used the rate of reinsurance share of paid claims for the last 12 months and period-end outstanding claims as the method to calculate the net amounts on a sub-branch basis.

The peak claims which are accepted as big claims are eliminated in a seperate calculation file by using prescribed statistical methods in the Circular to calculate ACLM with a more homogeneous set of data. Big claim limits used for determination of big claims eliminated in related calculations for each branch are as follows as of 31 December 2011 and 2010:

Branch	31 December 2011	31 December 2010
Land Vehicles	201.612	184.002
Compulsory Motor Third Party Liability	91.959	97.714
Fire and Catasrophic Losses	493.708	592.615
General Losses	**3.729.557**	**2.760.990**

The box-plot elimination has not been performed for the branches other than described above during the ACLM calculations.

18. Investment Contract Liabilities

None (31 December 20010: None).

19. Trade and Other Payables, Deferred Income

	31 December 2011	31 December 2010
Payables to reinsurance companies	31.734.067	29.989.073
Other payables due to main operations	493.372	1.051.098
Premium reserves received from insurance and reinsurance companies (Note 10)	21.136	21.223
Payables due to main operations	**32.248.575**	**31.061.394**
Payables to suppliers	2.842.091	2.763.599
Payables to SSI regarding medical expenses (*)	2.790.966	-
Received deposits and guarantee letters	387.376	276.588
Payables to contractors	131.200	257.834
Other	15.437	11.508
Other Payables	**6.167.070**	**3.309.529**
Deferred commission income (Note 17)	15.174.419	12.542.070
Other deferred income	22.854	100.000
Total short term payables	**53.612.918**	**47.012.993**
Payables to SSI regarding medical expenses (**)	4.131.808	-
Total long term payables	**4.131.808**	**-**
Total trade and other payables, deferred income	**57.744.726**	**47.012.993**

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

	31 December 2011	31 December 2010
Short term portion of closed incurred but not reported claims provision	1.083.389	-
Short term portion of closed claims provision	558.981	-
Short term portion of premiums ceded between 25 February 2011 - 26 August 2011	839.252	-
Premiums ceded to SSI between 27 August 2011 - 31 December 2011	900.414	-
The difference between notified liability and and calculated amount of liability for 2011	(387.295)	-
Premium payments to SSI in the current period	(203.775)	-
Total	**2.790.966**	**-**

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

	31 December 2011	31 December 2010
Short term portion of closed incurred but not reported claims provision	2.166.778	-
Long term portion of closed claims provision	1.125.778	-
Long term portion of premiums ceded between 25 February 2011 - 26 August 2011	839.252	-
Total	**4.131.808**	**-**

As disclosed in Note 2.14, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written after 25 February 2011 to SSI to be determined in accordance with the Communiqué numbered 2011/17. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI as TL2.578.918 and an unearned premium reserve amounting to TL 1.857.051 on a daily basis on these premiums. In accordance with the Communiqués numbered 2011/17 and 2011/18, the Company classified a certain portion of ceded premiums to SSI amounting to TL 1.739.666 to the account "Short Term Other Payables" and deducted the payment amount realised until 31 December 2011 amounting to TL 203.775. In accordance with the Communiqués numbered 2011/17 and 2011/18, the remaining part of ceded premiums to SSI amounting to TL 839.252 is classified under the account "Long Term Other Payables".

As disclosed in Notes 2.14 and 2.24, in accordance with the Communiqué numbered 2011/18, the Company has closed outstanding claim files regarding the claims related to treatment expenses dated before the enforcement of the Law and "incurred but not reported claims to be closed" calculated with respect to the related treatment expenses and classified the respective amounts to the "Paid claims" account. As disclosed in Note 2.24, in accordance with the Communiqué numbered 2011/18, the Company has performed the calculations regarding the incurred but not reported claims to be closed as of 31 March 2011 by excluding paid and outstanding claims; and salvage and claim recovery income related to the treatment expenses in the context of the Law from the statistical data for 2008 and following years; and, in the context of the Communiqué numbered 2012/1, for 2007 and prior years for which the systematical elimination cannot be made, the Company used treatment expense rate of 5,15% which is calculated based on split of the treatment expenses in the context of Law for the realized claims in March, June, September and December months of the year 2008. Accordingly, the closed claim files regarding the claims related to treatment expenses dated before the enforcement of the Law amounting to TL 1.684.759 and "incurred but not reported claims to be closed" calculated in accordance with the Communiqué numbered 2011/18 amounting

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

to TL 3.250.167, totally amounting to TL 4.934.926 to the account "Paid Claims" and classified TL 1.642.370 and TL 3.292.556 of the related total amount to short- term and long-term "Payables to SSI regarding medical expenses" accounts, respectively. In accordance with the Communiqué numbered 2011/17, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses" and charged to other technical income or expense account. In this context, the Company has deducted TL 387.295 from the related liability account and recognized a corresponding amount of income in the current period income statement.

The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications by Treasury in 2012 and 2013 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.

The related party balances are explained at Note 45.

Amounts of foreign currency denominated payables are as follows:

Payables to reinsurance companies:

	31 December 2011		
Foreign currency Amount	Foreign currency Amount	Exchange Rate	Amount TL
USD	9.064.241	1,8889	17.121.445
Euro	149.687	2,4438	365.805
Total			**17.487.250**

	31 December 2010		
Foreign currency Amount	Foreign currency Amount	Exchange Rate	Amount TL
USD	10.673.691	1,5460	16.501.526
Euro	221.347	2,0491	453.562
Total			**16.955.088**

20. Borrowings

None (31 December 2010: None).

21. Deferred Income Tax

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law.

The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realised in the following periods under the liability method is 20%.

As of 31 December 2011 and 2010 the temporary differences giving rise to deferred income tax assets and liabilities with using appropriate tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Deferred income tax assets				
Additional ACLM provision	11.150.153	16.445.337	2.230.031	3.289.067
Equalisation reserve	2.363.214	1.569.217	472.643	313.843
Unexpired risk reserve	2.059.918	3.622.316	411.984	724.463
Personnel bonus provision	1.200.000	-	240.000	-
Provision for employment termination benefits	1.059.816	1.412.059	211.963	282.412
Claim recovery receivables provision	759.928	73.357	151.986	14.671
Premium recevable provision	508.705	1.296.862	101.741	259.372
Unused vacation provision	492.244	407.314	98.449	81.463
Provision for lawsuits	192.219	234.699	38.444	46.940
Other	-	18.135	-	3.628
Total deferred income tax assets			**3.957.241**	**5.015.859**

21. Deferred Income Tax (Continued):

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Deferred income tax liabilities:				
Difference between tax base and carrying amount of fixed assets	(18.995.891)	(9.424.452)	(3.799.179)	(1.884.890)
Deferred acqusition costs	(714.104)	(385.771)	(142.821)	(77.154)
Total deferred tax liabilities			**(3.942.000)**	**(1.962.044)**
Deferred tax assets – net (Note 35)			**15.241**	**3.053.815**

The movement of deferred tax assets in the period is as follows:

	2011	2010
Opening balance - 1 January	3.053.815	(1.029.343)
Deferred tax (expense)/income	(899.313)	4.083.158
Deferred tax expense accounted for in the equity associated with revaluation fund of property for operational use (Note 15)	(2.139.261)	-
Closing Balance - 31 December (Note 35)	**15.241**	**3.053.815**

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 legislation that have been enacted at 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 and tax losses can be utilised. Within this framework, the Company has TL 60.400.443 (31 December 2010: TL 73.516.616) of financial losses, out of which the Company has not recognized net deferred tax assets amounting to TL 12.080.089 (31 December 2010: TL 14.703.323) as of 31 December 2011.

	31 December 2011	31 December 2010
2011	-	17.749.289
2013	3.965.112	3.965.112
2014	40.805.174	40.805.174
2015	10.997.041	10.997.041
2016	4.633.116	-
Total	**60.400.443**	**73.516.616**

22. Retirement Benefit Obligations

	31 December 2011	31 December 2010
Provision for employment termination benefits	1.059.816	1.412.059
Total	**1.059.816**	**1.412.059**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the changes made on 23 May 2002 in the legislation, some process of transition clauses related to the length of service before retirement have been omitted.

The amount payable consists of one month's salary limited to a maximum of TL 2.731,85 (31 December 2010: TL 2.517,04) for each year of service at 31 December 2011.

Provision for employment termination benefits is not funded as there is no legal funding requirement.

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.

TMS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2011	31 December 2010
Discount rate per annum (%)	4.66	4.66
Turnover rate to estimate the probability of retirement (%)	**88**	**87**

22. Retirement Benefit Obligations (Continued):

The principal assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 2,805.04 which is effective from 1 January 2012, has been taken into consideration in calculating the provision for employment termination benefits (31 December 2010: TL 2.731.85).

Movement in the provision for employment termination benefits is as follows:

	2011	2010
Opening balance - 1 January	1.412.059	1.506.777
Paid during the period (Note 33)	(641.346)	(861.385)
Charge for the period	289.103	766.667
Closing balance - 31 December	**1.059.816**	**1.412.059**

23. Provisions for Other Liabilities and Charges

Commitments and contingent liabilities not recognised as liabilities are disclosed in Note 43.

Guarantees and pledges received are disclosed in Note 12.3.

The details of provisions that are classified under provisions for expense accruals in balance sheet are as follows:

	31 December 2011	31 December 2010
Personnel bonus provision	1.200.000	-
Provision for lawsuits	192.219	234.699
Total provision for expense accruals	1.392.219	234.699
Unused vacation provision (*)	492.244	407.314
Total	**1.884.463**	**642.013**

(*) Classified under "Other Current Liabilities" account in balance sheet.

24. Net Insurance Premium Revenue

The distribution of premium income is as follows:

	1 January - 31 December 2011			1 January - 31 December 2010		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
Land vehicles	64.065.905	(43.123)	64.022.782	65.471.939	(4.122.280)	61.349.659
Fire and catastrophic losses	59.072.886	(49.247.266)	9.825.620	55.838.692	(43.826.091)	12.012.601
Land vehicles liability (*)	42.120.502	(2.629.308)	39.491.194	46.496.147	(2.668.654)	43.827.493
General losses	41.308.027	(35.342.638)	5.965.389	39.100.673	(34.410.021)	4.690.652
Marine	15.229.326	(7.290.528)	7.938.798	17.680.183	(11.053.294)	6.626.889
General liability	8.548.476	(6.128.780)	2.419.696	6.548.031	(4.258.189)	2.289.842
Water vehicles	6.735.604	(6.351.554)	384.050	4.395.615	(4.100.613)	295.002
Health	4.785.475	(3.969.494)	815.981	3.302.132	(3.002.704)	299.428
Accident	4.289.050	(974.545)	3.314.505	5.780.625	(1.510.034)	4.270.591
Air vehicles	3.309.694	(3.309.694)	-	955.165	(955.165)	-
Financial losses	1.004.823	(994.061)	10.762	734.369	(651.384)	82.985
Rail vehicles	817.286	-	817.286	671.227	(22.856)	648.371
Legal protection	809.738	-	809.738	853.102	-	853.102
Air vehicles liability	620.691	(620.691)	-	4.375.575	(4.375.575)	-
Fidelity	245.327	(186.930)	58.397	170.753	(129.226)	41.527
Total	**252.962.810**	**(117.088.612)**	**135.874.198**	**252.374.228**	**(115.086.086)**	**137.288.142**

(*) Reinsurance premiums for motor vehicles liability branch include premiums ceded to SSI amounting to TL 2.578.918 regarding the policies written after 25 February 2011 calculated in accordance with the Communiqué numbered 2011/17 (1 January - 31 December 2010: None) (Notes 2.14 and 19).

25. Fee Income

None (1 January - 31 December 2010: None).

26. Investment Income

	1 January - 31 December 2011	1 January - 31 December 2010
Cash and cash equivalents interest income	6.849.090	5.145.901
Held-for-trading financial assets interest income and fair value changes (Note 11.7 - 11.9)	(16.506)	-
Total	**6.832.584**	**5.145.901**

27. Net Realised Gains on Financial Assets

Information about realised gains and losses on held-for-trading financial assets is disclosed in Note 11.

28. Net Fair Value Gains on Assets at Fair Value through Income

Disclosed in Notes 11 and 26.

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2010: None).

31. Other Expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Operating expenses classified under technical part	41.408.620	44.846.984
Total (Note 32)	**41.408.620**	**44.846.984**

32. Expenses by Nature

	1 January - 31 December 2011	1 January - 31 December 2010
Commission expenses	37.053.463	42.406.609
Personnel expenses (Note 33)	16.111.154	15.539.433
Communication and data processing expenses	3.116.136	2.451.604
Office expenses	1.434.057	1.358.406
Marketing and sales expenses	1.397.168	1.739.939
Travel expenses	1.375.354	1.210.677
Fee expenses	1.117.989	1.871.377
Advisory expenses	957.437	1.100.447
Rent expenses	710.559	621.403
Bank and notary expenses	494.875	512.506
Tax expenses	420.228	221.114
Training expenses	162.045	-
Advertisement and marketing expenses	123.078	194.900
Top management expenses	29.181	28.600
Other	1.296.247	1.210.605
Reinsurance commission income	(24.390.351)	(25.620.636)
Total (Note 31)	**41.408.620**	**44.846.984**

33. Employee Benefit Expense

	1 January - 31 December 2011	1 January - 31 December 2010
Salary payments	12.300.472	11.184.059
Employer share of social security premium	1.759.375	1.601.689
Bonus payments	1.093.292	1.186.877
Employment termination benefit payments (Note 22)	641.346	861.385
Private health insurance	277.205	227.997
Side benefits	28.667	27.100
Other	10.797	450.326
Total (Note 32)	**16.111.154**	**15.539.433**

Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Manager and other executive management are explained in Note 1.6.

34. Financial Costs

34.1 Total financial expenses for the period: TL1.122.919 (1 January - 31 December 2010: TL1.151.046).

34.1.1 Expenses related to production cost: None (1 January - 31 December 2010: None).
34.1.2 Expenses related to tangibles: None (1 January - 31 December 2010: None).
34.1.3 Direct expenses: TL1.122.919 (1 January - 31 December 2010: TL1.151.046).

34.2 Financial expenses related to shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately): None (1 January - 31 December 2010: None).

34.3 Sales to/purchases from shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately): Related party transactions and balances are disclosed in Note 45.

34.4 Interest, rent or other charges received from or paid to shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately):

Related party transactions and balances are disclosed in Note 45.

35. Income Taxes

Tax assets/liabilites and tax income/expenses are summarized below as of 31 December 2011 and 2010.

	1 January - 31 December 2011	1 January - 31 December 2010
Tax charge for the current period	-	-
Deferred tax (expense)/income (Note 21)	(899.313)	4.083.158
Total tax (expense)/income - net	**(899.313)**	**4.083.158**

	31 December 2011	31 December 2010
Tax provision	-	-
Prepaid tax and funds	1.335.694	911.204
Prepaid taxes - net	**1.335.694**	**911.204**
Deferred tax asset	3.957.241	5.015.859
Deferred tax liability (-)	(3.942.000)	(1.962.044)
Deferred tax asset - net (Note 21)	**15.241**	**3.053.815**

The reconciliation of the actual taxation charge is as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Income/(loss) before current and deferred income tax	1.239.690	(32.681.371)
Enacted tax rate	%20	%20
Tax calculated by enacted tax rate	(247.938)	6.536.274
Effect of disallowable expenses	(65.703)	(253.708)
Effect of income not subject to tax	340.951	-
Effect of the accumulated financial losses for which tax asset is not calculated	(926.623)	(2.199.408)
Tax income/(expense) for current period (Note 21)	**(899.313)**	**4.083.158**

36. Net Foreign Exchange Gains

	1 January - 31 December 2011	1 January - 31 December 2010
Technical income/(expense)	6.322.582	(511.312)
Total	**6.322.582**	**(511.312)**

37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average number of shares of the Company.

	1 January - 31 December 2011	1 January - 31 December 2010
Net profit/(loss) for the period	340.377	(28.598.213)
Weighted average number of shares with nominal value of Kr 1 per share	14.868.081.490	12.851.125.664
Earnings/(Loss) per share (Kr)	**0,002289**	**(0,222535)**

38. Dividends per Share

None (31 December 2010: None).

39. Cash Generated from Operations

Disclosed in the statement of cash flows.

40. Convertible Bond

None (31 December 2010: None).

41. Redeemable Preference Shares

None (31 December 2010: None).

42. Contingencies

	31 December 2011	31 December 2010
Outstanding claims litigations against the Company - gross (*)	80.893.353	72.091.364
Lawsuits opened against the Company	**192.219**	**143.555**

(*) Related item is accounted for in outstanding claim provision and the movement table of outstanding claim provision is disclosed in Note 17. The retention amount for this provision is TL 36.192.565 (31 December 2010: TL 27.929.227). As disclosed in Notes 2.24 and 17.15, the Company made a deduction from the outstanding claim provision under legal follow up amounting to TL 10.783.665 on gross basis and TL 1.815.465 on net basis as of 31 December 2011 (31 December 2010: None).

43. Commitments

	31 December 2011			
	USD	Euro	TL	Total
Letters of guarantee given	1.701.387	-	8.591.919	10.293.306
Total	**1.701.387**	**-**	**8.591.919**	**10.293.306**

	31 December 2010			
	USD	Euro	TL	Total
Letters of guarantee given	1.053.066	-	5.806.317	6.859.383
Total	**1.053.066**	**-**	**5.806.317**	**6.859.383**

Mortgages or restrictions on assets:

	31 December 2011	31 December 2010
Bank deposits (Note 2.12)	32.217.920	32.511.172
Properties for operational use (Note 6)	6.300	6.300
Total	**32.224.220**	**32.517.472**

44. Business Combinations

None (31 December 2010: None).

45. Related-party Transactions

VIG group companies; and the shareholders, investments and top management of the Company are considered as related parties in these financial statements.

	31 December 2011	31 December 2010
a) Receivables from reinsurance companies:		
VIG Holding	77.656	-
Total	**77.656**	**-**
b) Payables to insurance and reinsurance companies, net:		
VIG Re	5.237.193	2.924.744
Kooperativa	743.819	-
VIG Holding	274.743	151.469
Total	**6.255.755**	**3.076.213**
c) Reinsurers' share on unearned premium reserve		
VIG Re	2.081.732	2.998.141
VIG Holding	784.262	312.389
Kooperativa	706.744	-
Total	**3.572.738**	**3.310.530**
d) Reinsurers' share on outstanding claim reserve		
VIG Holding	1.751.500	872.398
Kooperativa	1.071.216	-
VIG Re	264.827	784.183
Total	**3.087.543**	**1.656.581**
e) Deferred commission income		
VIG Re	702.296	1.099.554
VIG Holding	264.120	17.101
Kooperativa	35.337	-
Total	**1.001.753**	**1.116.655**

45. Related-party Transactions (Continued):

	1 January - 31 December 2011	1 January - 31 December 2010
f) Ceded Premiums		
VIG Re	4.643.655	1.019.699
VIG Holding	2.453.658	844.637
Kooperativa	1.632.142	-
Total	**8.729.455**	**1.864.336**
g) Commissions received		
VIG Re	1.632.927	315.974
VIG Holding	626.975	78.235
Kooperativa	79.546	-
Total	**2.339.448**	**394.209**
h) Reinsurers' share on paid claims		
VIG Re	2.851.004	210.921
VIG Holding	645.188	-
Total	**3.496.192**	**210.921**
i) Operational expenses		
VIG Holding	276.474	92.371
Total	**276.474**	**92.371**

45.1 Doubtful receivables from shareholders, investments, subsidiaries: None (31 December 2010: None).

45.2 Breakdown of investments and subsidiaries having an indirect shareholding and management relationship with the Company, participation rates and amounts of these investments and subsidiaries; profit/loss, net profit/loss in the latest financials, the period of these financials and the opinion type of the independent audit report if the company is independently audited:

Financial non-current assets:

31 December 2011

	(%)	Restated cost	Book value	Audit opinion	Financial statement period	Total assets	Total liabilities	Net sales	Net income
TARSİM	%4,16	125.125	125.125	-	31.12.2011	6.628.778	1.846.250	10.065.000	811.492
		125.125	**125.125**	**-**		**6.628.778**	**1.846.250**	**10.065.000**	**811.492**

31 December 2010

	(%)	Restated cost	Book value	Audit opinion	Financial statement period	Total assets	Total liabilities	Net sales	Net income
TARSİM	%4,35	130.565	130.565	-	31.12.2010	5.643.024	1.661.620	8.140.927	566.006
		130.565	**130.565**			**5.643.024**	**1.661.620**	**8.140.927**	**566.006**

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2010: None).

45.4 Rights on immovable and their value: None (31 December 2010: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2010: None).

46. Events after the balance sheet date

The employment termination benefits ceiling has increased to TL 2.805,04 effective from 1 January 2012.

47. Other

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

	31 December 2011	31 December 2010
a) Other Cash and Cash Equivalents		
Credit card receivables	15.519.723	10.976.923
Total	**15.519.723**	**10.976.923**
b) Other Receivables:		
Receivables from compulsory earthquake insurance policies	835.990	1.163.018
Deferred acquisition costs (Note 2.24)	714.104	385.771
Prepaid expenses	610.789	239.767
Receivables from state-sponsored agricultural insurance	111.861	62.736
Other	21.741	17.466
Total	**2.294.485**	**1.868.758**
c) Other short term payables:		
Payables to suppliers	2.842.091	2.763.599
Payables to SSI regarding treatment expenses (Note 19)	2.790.966	-
Payables to contractors	131.200	257.834
Other	15.437	11.508
Total	**5.779.694**	**3.032.941**
d) Other Short-term Liabilities:		
Unused vacation provision (Note 23)	492.244	407.314
Total	**492.244**	**407.314**
e) Other Long-term Liabilities:		
Payables to SSI regarding treatment expenses (Note 19)	4.131.808	-
Total	**4.131.808**	**-**
f) Other Long-term Technical Provisions:		
Equalisation reserve (Note 17)	2.944.270	1.993.091
Total	**2.944.270**	**1.993.091**

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2010: None).

47.3 Receivables from claim recoveries followed under off-balance sheet items: None (31 December 2010: TL 2.054.853).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: The amount consists of reconciliation differences due to the reconciliations performed as of 31 December 2011 amounting to TL 1.320.540 (31 December 2010: None).

47.5 Other information required by Treasury to be presented:
Provision and rediscount expenses/(income) for the period:

	1 January - 31 December 2011	1 January - 31 December 2010
Other provisions expenses/(income)		
Net claim recovery receivables provision under legal follow-up (Note 12.5-12.7)	3.796.755	1.853.235
Provisions for doubtful receivables from main operations (Note 12.5-12.7)	1.828.950	802.080
Provision for personnel bonuses (Note 23)	1.200.000	-
Provision for receivables from policyholders and intermediaries	(788.156)	(147.009)
Provision for employment termination benefits	(352.243)	(94.718)
Provision for unused vacation	84.930	89.115
Lawsuit provision expenses	(42.480)	167.317
Reversal of expected claim recovery and salvage income for the year 2009	-	3.461.675
Other	-	1.251.591
Total	**5.727.756**	**7.383.286**

APPENDIX I - CONVENIENCE TRANSLATION OF THE STATEMENTS OF PROFIT DISTRIBUTION

		Note	Current Period	Previous Period
I.	**DISTRIBUTION OF PROFIT FOR THE PERIOD**			
1.1	PROFIT FOR THE PERIOD		340.377	(28.598.213)
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		-	-
A	**NET PROFIT FOR THE PERIOD (1.1 - 1.2)**		**340.377**	**(28.598.213)**
1.3	PREVIOUS YEARS' LOSSES (-)		-	-
1.4	FIRST LEGAL RESERVE		-	-
1.5	LEGAL RESERVES KEPT IN THE COMPANY(-)		-	-
B	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)**		**-**	**-**
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		-	-
II.	**DISTRIBUTION FROM RESERVES**			
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 (-)		-	-
III.	**PROFIT PER SHARE**		**-**	**-**
3.1	TO COMMON SHAREHOLDERS		-	-
3.2	TO COMMON SHAREHOLDERS (%)		-	-
3.3	TO PREFERRED SHAREHOLDERS		-	-
3.4	TO PREFERRED SHAREHOLDERS (%)		-	-
IV.	**DIVIDENDS PER SHARE**		**-**	**-**
4.1	TO COMMON SHAREHOLDERS		-	-
4.2	TO COMMON SHAREHOLDERS (%)		-	-
4.3	TO PREFERRED SHAREHOLDERS		-	-
4.4	TO PREFERRED SHAREHOLDERS (%)		-	-

The authorised body of the Company for the distribution of the current period profit is the General Assembly. As of the date of the preparation of the financial statements, Ordinary General Assembly of the Company has not been held, yet; therefore only net profit for the period has been stated on the statement of profit distribution.