RAY SİGORTA A.Ş.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

2012

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1. Statement of Compliance with Corporate Governance Principles:

Ray Sigorta A.Ş. has adopted the concepts of equity, transparency, accountability and responsibility of the Corporate Governance Principles and aims to comply with these principles in its activities at its most. Within this context, the company complies with all compulsory and some of the non-compulsory corporate governance principles. Moreover the company continues to work on to comply with all non-compulsory corporate governance principles.

The details about the implementation of the principles are below.

PART I - SHAREHOLDERS

2. Investor Relations Department:

The person in charge of this department was Uğur Telci in 2012. However Erhan Subaşı is appointed in February 2013.

yatirimci.iliskileri@raysigorta.com.tr or investor.relation@raysigorta.com.tr

Tel: (212) 363 26 86

The main responsibilities of the Investor Relations Department;

a) To ensure records about the shareholders are kept in a healthy, trustworthy and updated manner,

b) To answer written information requests about the company from the shareholders excluding information which is undisclosed, secret or commercial secret,

c) To ensure the Annual General Meeting is held in line with the legislation in force, articles of association and other intercompany regulations,

d) To prepare the documents that the shareholders might use for the Annual General Meeting,

e) To ensure voting results are recorded and related reports about the results are sent tothe shareholders,

f) To pursue and monitor every matter related to public disclosure including the legislation and corporate disclosure policy

In 2012, there were no request for information from the shareholders.

3. Use of Shareholders' Right to Obtain Information:

In 2012 our company received any information request from the shareholders. Shareholders were informed about the company through Public Disclosure Statements made to the Public Disclosure Platform, in line with the notification of the Capital Markets Board (SPK). All these statements can also be reached from the corporate website. Even though the request for the appointment of a private auditor is not arranged as a right in the articles of association, according to the Turkish Commerce Law, shareholders owning five percent and more shares of the company are entitled to it. However, there has been no request in this line until now.

4. General Shareholders' Meetings:

The Annual General Meeting of our company for 2011 was held on June 29, 2012. In line with our articles of association, the invitation for the meeting was published in the nation-wide daily Akşam and Turkish Commercial Registry Gazette. Also, the invitation by the Board of Directors for the General Meeting was sent to the shareholders, addressed by name, within the proper time in line with the relevant clauses of the Turkish Commerce Law. The documents related to our Annual General Meeting, the 2011 Annual Report, audit reports and the proposition of the Board of Directors for 2011 operating income were at the disposal 15 days before the General Meeting date for our shareholders.

There were no proposals/questions from our shareholders in our Annual General Meeting. Open voting was held in the Annual General Meeting. The quorum in the Annual General Meeting was subject to the clauses in the Turkish Commerce Law and 94 percent quorum was achieved. The Annual General Meeting minutes were made available in our headquarters to be sent to our shareholders who might request for them. There are no clauses in the articles of association of the company necessitating the Annual General Meeting to make decisions on the division, large amount of asset purchase, sale or rental. In 2012 we made donations and aids amounting to a total of TL 13,326 and the General Assembly was informed on the issue. The following table provides details on donations and aids:

Lösev (Foundation for Children with Leukemia)	1.586,00
Hacettepe Üniversitesi (Hacettepe University)	1.000,00
İstanbul Sigorta Acenteleri Derneği (Istanbul Insurance Agents Association)	3.000,00
Galatasaray Vakfı (Galatasaray Foundation)	7.000,00
Türkiye Sigorta Birliği (Kısa Mertajlı Film Yarışması) Insurance Association of Turkey (Short Length Film Competition)	590,00
Avusturya.Liseliler Vakfı(St. George's Austrian High School Graduates Foundation)	150,00
Total	**13.326,00**

5. Voting and Minority Rights:

There are no preferred stocks in our company. Our shareholders have made no request for the representation of their minority shares in the management. There is no cumulative voting practice.

6. Dividend Rights:

There are no privileges in participating in dividend distribution in our company.

While there is no disclosed dividend distribution policy other than the dividend distribution rules written in the articles of association, when our Board of Directors present their dividend distribution proposal for vote in the General Assembly Meeting, they take the expectations ofthe shareholders and the need for our company to grow into consideration.

Principles regarding Dividend Distribution Policy of Ray Sigorta A.Ş. (the "**Company**") are stated as follows:

1) Dividend distribution practices are subject to the relevant provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Legislation and Articles of Association of the Company.

2) The dividend shall not be distributed as long as accumulated losses, if any, are not fully deducted from the net profit amount.

3) In the event of a dividend distribution, the amount to be distributed shall not be less than 20% and can be up to 100% of the net profit reduced by accumulated losses, if any, and contribution to Company's reserves as requested by legal provisions in force.

4) Dividends may be distributed as cash or as bonus shares or as a combination of cash and bonus shares.

5) Dividend distribution dates shall be determined by the General Assembly in accordance with the capital markets legislation.

This Dividend Distribution Policy enters into force upon approval of the General Assembly. Any amendments related to the Policy are subject to the approval of the General Assembly.

7. **Transfer of Shares:**

In the articles of association, there is a clause which provides that: “The acquisition of a ten percent stake or more of the capital by a natural or legal person and share acquisitions which result in increasing the shares of a partner above 10, 20, 33 or 50 percent of the company capital and share transfers that result in decreasing the share of a partner below the mentioned levels is subject to the permission of the Undersecretariat of Treasury. Records in the stock registry violating this clause are null and void. The above clause is applied in cases of right of usufruct and voting right.”

Expect legal obligation which is mentioned above, there are any restrictions on the transfer of shares between the parties in the articles of association of the firm.

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Information Policy:

The purpose of our Corporate Disclosure Policy isto make timely, correct, full and understandable disclosures of financial and non-financial information about the company excluding commercial secrets and undisclosed ones to the public.

The people authorized concerning the Corporate Disclosure Policy are;

Levent Şişmanoğlu General Manager (212) 363 26 46 levent.sismanoglu@raysigorta.com.tr

Koray Erdoğan Financial and Administrative Affairs Director (212) 363 25 24

koray.erdogan@ raysigorta.com.tr

9. Corporate Website and its Content

Our corporate website address is www.raysigorta. com.tr. The Investor Relations section of our company’s website contains information on the Partnership Structure of our Company, our Mission, Vision and Values, Ethic Rules, Board of Directors list, Articles of Association, Financial Statements and our Independent Audit Reports, Annual General Meeting and Annual Report, while the Material Event Disclosures are also available. The corporate website address is printed in the corporate letterhead stationery. According to Turkish Commerce Law Article 1524, our corporate website is available to everyone and operates in line with legal regulations.

10. Annual Report:

The company provides the information required by Corporate Governance Principles in its 2012 Annual Report.

PART III- STAKEHOLDERS

11. Disclosure to Stakeholders:

The stakeholders consist of shareholders, investors, financial institutions and suppliers and they can access public disclosures, legal regulations and statements as well as other information on our company through our web site. The company has established necessary mechanisms in order to enable the stakeholders to relay any illegal or unethical operations of the Company to the Corporate Governance Committee and the Committee in Charge of Audits which report to the Board of Directors.

12. Participation of Stakeholders in the Management:

There is no provision in the articles of association regarding the participation of stakeholders in the company's management.

13. Human Resources Policies:

The value we give to our employees and the value created by our employees for our company mutually support and feed each other. Our objective is to ensure that the value, context, conditions, system and the potential of the system created by human resources within this cycle are effectively planned, managed and improved with constant development, that the existing energy falls into its place and processed according to the targets.

We conduct a hiring and appointment process with the objective of placing the right people at the right jobs with an objective assessment based on competence within the framework of our basic values in line with our company's mission, vision and objectives. In this context, we provide orientation and development training in order to accelerate the adaptation of the employees we hired to our corporate structure and to develop their professional skills.

Our "Performance Management" process, which helps the employees perform in accordance with the company's targets and to focus on the same objective, includes target setting, monitoring, assessment and feedback phases. We intend to make an objective evaluation of the employees by using such a performance management system and to make efficient and accurate planning of the outcomes of this system such as promotion, salary, development and career planning.

This process was announced to all employees by the Regulation of the Performance Management.

The changing and developing needs of our employees and customers on a daily basis provide a direction for us regarding how to improve our expertise and capabilities. In light of these needs, we offer training that provides constant development for our employees and business partners.

The Human Resources Department of our company operates according to the following Human Resources policies:

• In human resources, no discrimination is made on the basis of race, ethnicity, nationality, religion and sex. Equal opportunities are provided for people with equal qualifications, performance, productivity and provides a basis for salary and promotion and a open doors policy is applied.

• Those who have professional qualifications equired to perform the given tasks are selected as managers.

• A safe and healthy working environment as well as opportunities to develop their careers are provided to the employees.

The human resources policies are elaborated in the ethic rules which we disclosed to the public. There is no practice of appointing a representative to conduct relations with the employees. The Human Resources Department manages the relationship between the company officials and the employees and operates in an open and transparent communication environment with all employees, managers and Company officials.

No complaints received from employees regarding discrimination. The duties and responsibilities have been identified and those are knowledge of all employees.

14. Ethic Rules and Social Responsibility

The Ethic Rules of the firm was announced on web site. Ray Sigorta A.Ş. defines it's basic values as

follows:

We are...

A Family,

Honest,

Respectful to ethical values,

Fair,

Transparent and Sharing,

Creative and Productive,

Value Humans.

Our executives and employees do their part to keep the reputation of our company and its stakeholders on the highest level by pursuing these basic values in all of their relationships and works. Under our corporate governance concept, we use orgazinational models that support management of our individual and corporate risks in an increasing productivity.

All employees of the company carry out their responsibilities in compliance with the ethical rules approved by the Board of Directors. The implementation of ethic rules which are described below in general that are approved by the Board of Directors is monitored and evaluated through constant reviews by the Ethics Board of our company under the rules defined in the Ethic Board Directive of the company.

Our Ethic Rules:

• The current legislations, articles of association, internal regulations and policies set the basis of the company operations.

• Informal activities are forbidden. The accuracy and consistence of business records are essential.

• Classified information of the company and other data that are qualified as business secrets and customer information is confidential.

• We convey employee personal rights clearly and accurately to provide a healthy, secure and productive work environment.

• We act responsibly in our works regarding the protection of democracy, human rights, the environment and make efforts to take part in compliant activities.

• We provide accurate and clear information in a timely fashion regarding our strategies, investments, risk profile and financial statements in our disclosures to the public and our shareholders.

• We treat all of our business partners, suppliers, individuals and institutions that we have a business relationship with fairly and respectfully, while being attentive to fulfill our liabilities in time.

• We aim to establish a long term and stable cooperation with the individuals and institutions that we do business with and demonstrate the utmost care to protect confidential information.

• We compete only in legal and ethical fields and avoid unfair competition.

Our company pays regard to fulfilling its responsibilities regarding the prevention of environmental pollution and the protection of natural resources while conducting its operations. No lawsuit has been presented against our company with the claims of harming the environment in the period in question.

PART IV - BOARD OF DIRECTORS

The Members of the Board of Directors of our Company:

BOARD OF DIRECTORS				
Name&Surname	**Position**	**Date of Appointment**	**Education**	**Work Experience**
Karl Fink	Chairman of the Board of Directors and Corporate Governance Committee Member	29.07.2009	University/ Management	2011 – present VIG RE zajišťovna, a.s./ Chief Executive Officer 2009 –2012present / Vienna Insurance Group AG/ Extended Executive Board Member 2007 – 2009 / Vienna Insurance Group AG / Deputy General Manager 2004-2007/ Wiener Stadtische, Allgemeine Versicherungs AG / Deputy General Manager 1987 – 2004 /Wiener Stadtische, Allgemeine Versicherungs AG Vienna / Executive Board Member 1979-1987 / Interrisk Internationale Versicherungs Aktiengeselleschaft / Chairman 1975-1979 / Wiener Stadtische WechselseitigeVersicherungsanstalt, Vienna / Industrial Risks 1971-1975 / Marubeni Corporation, Tokyo/ Berlin Authorized Representative
Dr. Martin Simhandl	Vice Chairman and Member of	12.04.2011	University/ Law	2004-present / Vienna Insurance Group AG / CFO 1985- 2004 Vienna Insurance Group AG

	the Corporate Committee			
Mehmet Levent Şişmanoğlu	Member and General Manager	Joined the company: 07.03.2007 Assignment Date as General Mng: 01.08.2010	University/ Economy	2007– present / Ray Sigorta A.Ş. 2006 -2007 / Brian Tracy / Sales Organization Consultant and Trainer 2003 -2005 / Genel Sigorta ve Genel Yaşam Sigorta Agency 1997 – 2003 / Garanti Sigorta A.Ş. / Regional Director 1996 – 1997 / Arpaş Kuyumculuk / Sales Manager 1995 – 1996 / Polisan A.Ş. / Sales Manager 1994 -1995 / Rotopaş A.Ş. / Product Manager
Vladimir Mraz	Member	08.04.2008	Post Graduate / Production Technologies	2008 – Present / TBIH Financial Services Group N.V /Executive Board Member 1993 – 2008 / Kooperativa pojist ovna. a.s. – Vienna Insurance Group. / Chief Executive Officer and General Manager 1991 – 1993 / Kooperativa / Branch Manager 1987 – 1991/ State Insurance Company of the Czech Republic / Main Insurance, Division Manager

				1980 – 1987 / State Insurance Company of the Czech Republic / Motor Car Insurance Department Manager 1972 – 1980 / State Insurance Company of the Czech Republic / Senior Insurance Specialist 1968 – 1972 / State Insurance Company of the Czech Republic / Loss Adjuster
Mag. Dr. Hilmar Kroat-Reder L.L.M.	Member and the member of the Audit Committee	29.06.2012	PhD / Law	2012-Present / OMV Petrol Ofisi A.Ş. / Member of the Executive Board 2012 /OMV Gaz ve Enerji Holding A.Ş./ Deputy CEO 2012/ Enerco Enerji Sanayi ve Ticaret A.Ş. /Member of the Boards 2011/ OMV Petrom S.A. /Member of the Executive Board, Gas, Energy and Chemicals 2009-2010 RespACT / Member of the Executive Board 2008-2010 OMV Aktiengesellschaft /SeniorVice President Corporate Relations and Sustainability 2008-2010 Austrian Corporate Governance Committee/ Member 2006- OMV Aktiengesellschaft /Senior Vice Present 2002-OMV Aktiengesellschaft / Corporate Development, Mergers

				and Acquisitions Legal Advisor 2000-2002/Haarmann Hemmelrath Hügel /Junior Partner 1996-1999 / Hügel Dallmann &Partner / Medium Size and Senior Partner
Dr. İsmail Hakkı Ergener	Member and the Chairman of the Audit Committee and the Corporate Govemence Committee	20.09.2012	PhD/ Economic and Administrative Sciences	2012- EurocityBank AG / CEO 2009 – 2012, SK Danube AG, /GM 1997-2008 / DenizBank AG, CEO, 1995 –2007 / Express Trade Bank. GM, 1991-1995 /Deutsch Türkische Bank Credit Marketing Manager, 1989-1991 / Turkish Development Bank Germany Representative 1987-1989 / İktisat Bankası / Branch Mrketing Manager 1986 –1967 Cerrahgil AŞ/ Export Manager 1984-1985 İnterbank / Credit Analyst
Hüsniye Çiğdem Çadırcı Copikoğlu	Member and member of the Audit Committee	12.04.2011-14.09.2012	Undergraduate/ French	2006-2010 / Swiss Reinsurance Company A.G./ Vice President Europe-Senior Manager for Europe 1998-2006 GE Insurance Solutions / Business Development Manager-Leading Property Underwriter/ Property Insurance for Europe-

				Underwriter 1994-1998 Ankara Sigorta A.Ş./ Director of Reinsurance and Large Customers 1990-1994 İstanbul Reasürans A.Ş./ Technical Manager 1988-1990 Halk Reasürans A.Ş. Chief Underwriter

15. Structure and Composition of the Board of Directors

Two different people hold the Chairman of the Board of Directors and the General Manager positions in our company.

According to the 15th article of our company's articles of association, the maximum term of office of the Members of the Board of Directors is three years and the members are elected in the General Meeting in every three years. The Insurance Law No. 5684 provides that, "The Boards of Directors of the insurance and reinsurance companies cannot consist of less than five people and the number of auditors cannot be less than two. The general manager is a natural member of the Board of Directors." The company's operations and management are carried out by a Board of Directors which consist of a minimum of five (5) and a maximum nine (9) members who are elected among the shareholders in accordance with the regulations of the Turkish Commercial Code.

In this accounting period, three candidates were nominated for the Board of Directors who comply with the independency criteria defined under the Capital Market Board communiques, the Audit Committee submitted its reports on their compliance with independency criteria to the Board of Directors first on 31.05.2012 and then on 17.09.2012 for the vacant membership. Twe independent members were elected to meet the provision of appointment of independent board members. The majority of the board consist of the non-executive members. Any employment of the members of the Board of Directors out of the company is subject to specific rules and the non-executive members of the Board of Directors have roles in other group companies.

16. Operation Essentials of the Board of Directors

The 16th article of our articles of association provides that the Board of Directors will meet when the company activities necessitates, however must convene at least once in every three months as legally required.

The location of the meetings is the company's headquarter. According to the Turkish Commercial Code, the board can take a decision if at least the majority of the board members gives written approval to any proposal presented by a board member in the form of a decision on a specific issue without physically holding a meeting. The Board of Directors can take a decision to hold the meeting in a different location. The topics that will be discussed in the meeting will be conveyed to board members as an agenda prior to the meeting.

A routine agenda of a meeting of the Board of Directors is consisted of the following issues:

• The situation of the payments of public claims in the previous month

• Operating results of the previous month

• Recent economic developments

• Recent legislative developments (tax laws and regulations etc).

• Overall performance of the company

• Financial situation of the company

• Salary policies regarding the employees

• Evaluation of the audit reports

• Discussions on budget and business plans

Since all decisions made in the Board of Directors until now have been made with unanimity of the attending members, no other vote was necessary on any topics on which different opinions were expressed in the meetings. Moreover, no question which should be recorded was placed by any member during the meetings as all members keep constant contact with each other.

No members of the Board of Directors are entitled to a weighted voting or a negative veto rights.

VIG Group companies and the partners, subsidiaries and top management of the Company are efined as Affiliated Companies for the purposes of these Financial Statements. Transactions with the affiliated Companies are mainly in the form of premiums transfer within the framework of the insurance activities. We have quota share and surplus reinsurance treaties with the Affiliates, while specific reinsurance transfers can also be made in accordance with the market conditions. Other than the insurance activities; consultancy services are also procured from the Affiliates in the fields of information technologies, actuary and reinsurance,

and these procurements are in the form of purchase of service on the price or fees found in compliance with the arm's length principle.

17. The Number, Composition and Independency of the Committees under the Board of Directors:

The Audit Committee and the Corporate Governance Committee were established in order to help the Board of Directors to carry out its duties and responsibility in a healthy way in compliance with the existing regulations of the Capital Markets Board. The members of the Audit Committee have the qualification required by their duties and elected among the non-executive Board members who are not executive directors. In compliance with the Capital Markets Board regulations, all members of the Audit Committee are elected among the independent members of the Board of Directors and the Audit Committee is consisted of two independent members. The chairman of the Audit Committee (who is also in charge of internal systems) is the non-executive member of the Board of Directors.

The Audit Committee has the responsibility of functioning of the accountancy and financial reporting organization, disclosure of financial information and reports to the public and monitoring the functioning and efficiency of the independent auditing and internal control system.

The Audit Committee conducts its operations in compliance with the "Audit Committee Directive" which defines its operating procedures and essence, meets at least four times a year and presents the decisions made in the meeting to the Board of Directors in writing.

The members of the Corporate Governance Committee are appointed by a decision of the Board of Directors among the non-executive members of the Board of Directors with a chairman who is an independent member in accordance with the Capital Markets Board regulation. The committee is consisted of three members.

Under the operating procedures and essence set in the Corporate Governance Committee Directive, the Corporate Governance Committee is in charge of overseeing whether the company complies with the "Corporate Governance Principles" issued by the Capital Markets Board ('CMB'), if the company does not fully comply with these, identifying the reason, determining the potential risks that arise from the Company's failure to comply with the rules including the conflict of interest, making recommendations to have a better compliance with the Corporate Governance Principles and to improve practices regarding these principles and to carry out the functions of the Nomination Committee, Salary Committee and Early Detection of Risk Committee as defined by the Corporate Governance Principles issued by the CMB.

The Corporate Governance Committee meets in a frequency that will able the committee to carry out its duties efficiently. However, under the early detection of risk works, the Committee will submit a report that analyzes the situation, identifies the dangers, if any, and offers solutions to the Board of Directors.

18. Risk Management and Internal Control Mechanism:

"Regulation on the Internal Regulations Systems of the Insurance and Reinsurance and Pension Companies" No 26913 and dated 21 June 2008 issued by the Republic of Turkey Treasury Undersecretariat has regulated the principles and procedures regarding the Internal Control, Risk Management and Internal Audit systems and the functioning thereof as will be established at the insurance and reinsurance companies founded in Turkey and at Turkish branches and Turkey based companies of the insurance and reinsurance companies founded abroad.

According to this Regulation, Companies are obliged to install, manage and develop sufficient and efficient internal systems at all of their regional directorates and units in conformance with the scope and structure of their activities and in compliance with the changing conditions within the principles and procedures set forth by the designated regulations for the purpose of monitoring and controlling their risks.

Within the framework of this regulation, Internal Control and Risk Management Department carries out the internal control activities aimed at the efficient, sufficient and appropriate operation and development of the internal control system, as well as the risk management system activities that ensure the definition, measurement, monitoring and control of the risks by use of the policies, implementation procedures and limits laid down for monitoring, controlling and changing -as applicable -the risk and income structure contained by the Company's future cash flows, and depending on that the quality and the level of such activities.

19. Strategic Targets of the Company:

Our Company's mission is to constantly develop its knowledge in the field of insurance, its product infrastructure, reliable service understanding, strong technology and human resources from an innovative perspective, and to become the preferred company for its customers, business partners, stakeholders and employees with the help of the value it creates.

Our agents and brokers are the most valuable business partners of our company and they will receive the best services in the insurance industry from us.

Our Company's vision is "to become a valuecreating company that shapes the insurance industry".

To take its place among the top 5 insurance companies in the non-life sector by 2015. Strategic targets formulated by our executives in line with our Company's plans are submitted to the approval of our Board of Directors.

Our Board of Directors monitors and assesses whether or not our Company has achieved the set targets, and the results of our Company's activities and its performance are reviewed in the light of the detailed plans.

20. Financial Rights

As defined in the company's articles of association, the attendance fee and salary paid to the members of the Board of Directors for their positions are set by the General Assembly.

The company's performance is taken into consideration for setting the financial rights of the Board of Directors.

Neither stock options nor payment plans based on performance are used in the assignment of the salaries of the independent Board members. The assignment of the salaries of independent members is based on the criteria to protect their independency.

The company does not lend and provide loan facilities to the members of the Board of Directors. The members of the Board of Directors cannot use cash or non-cash credits from our Company and no assurances such as guarantees in favor of the members are provided.

Remunerations and premiums paid by the Company to the top executives are determined by the Board of Directors. Company's performance is taken into consideration for indentifying the financial rights of the Company's top executives.