

(Convenience Translation of Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Anadolu Hayat Emeklilik Anonim Şirketi

31 December 2012

Unconsolidated Financial Statements

Together With

Independent Auditors' Report Thereon

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

28 February 2013

This report includes 2 pages of independent auditors' report and 88 pages of financial information together with their explanatory notes.

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1.1)**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi

Introduction

We have audited the accompanying unconsolidated balance sheet of Anadolu Hayat Emeklilik Anonim Şirketi ("the Company") as at 31 December 2012 and the related unconsolidated statement of income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the accounting principles and standards in force as per 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider internal systems relevant to the entity'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 entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by 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 opinion.

Independent Auditors' Opinion

In our opinion, the accompanying unconsolidated financial statements give a true and fair view of the financial position of Anadolu Hayat Emeklilik Anonim Şirketi as at 31 December 2012, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

Istanbul, 28 February 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Murat Alsan, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

As explained in *Note 2.1.1*, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2012 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the “Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies” and the financial records of our Company.

Istanbul, 28 February 2013

Mete Uğurlu
Member of Board
of Directors,
Chief Executive
Officer

Oğuz Haluk Solak
Vice Chief
Executive Officer

N. Cem Özcan
Accounting
Manager

Fulya Eti
Statutory
Auditor

Canan Yılmaz
Statutory
Auditor

Demet Işıksaçan
Actuary

CONTENTS	PAGE
BALANCE SHEET	1-5
STATEMENT OF INCOME	6-8
STATEMENT OF CASH FLOWS	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF PROFIT DISTRIBUTION	11
NOTES TO THE FINANCIAL STATEMENTS	12-88
NOTE 1 GENERAL INFORMATION.....	12-14
NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	15-33
NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	34
NOTE 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK.....	35-52
NOTE 5 SEGMENT REPORTING.....	53
NOTE 6 TANGIBLE ASSETS.....	54
NOTE 7 INVESTMENT PROPERTIES	55
NOTE 8 INTANGIBLE ASSETS	56
NOTE 9 INVESTMENTS IN ASSOCIATES	56
NOTE 10 REINSURANCE ASSETS AND LIABILITIES.....	57
NOTE 11 FINANCIAL ASSETS	58-62
NOTE 12 LOANS AND RECEIVABLES	63
NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS.....	64
NOTE 14 CASH AND CASH EQUIVALENTS.....	64
NOTE 15 EQUITY	65-66
NOTE 16 OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION ...	67
NOTE 17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS.....	67-76
NOTE 18 INVESTMENT CONTRACTS	76
NOTE 19 TRADE AND OTHER PAYABLES, DEFERRED INCOME	77
NOTE 20 FINANCIAL LIABILITIES.....	77
NOTE 21 DEFERRED TAX	78
NOTE 22 RETIREMENT BENEFIT OBLIGATIONS	79
NOTE 23 OTHER LIABILITIES AND PROVISIONS	79
NOTE 24 NET INSURANCE PREMIUM REVENUE.....	80
NOTE 25 FEE REVENUES.....	80
NOTE 26 INVESTMENT INCOME.....	80
NOTE 27 NET INCOME ACCRUAL ON FINANCIAL ASSETS	81
NOTE 28 ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	81
NOTE 29 INSURANCE RIGHTS AND CLAIMS	81
NOTE 30 INVESTMENT CONTRACT BENEFITS.....	81
NOTE 31 OTHER EXPENSES	81
NOTE 32 OPERATING EXPENSES.....	81
NOTE 33 EMPLOYEE BENEFIT EXPENSES	82
NOTE 34 FINANCIAL COSTS	82
NOTE 35 INCOME TAX EXPENSE.....	82
NOTE 36 NET FOREIGN EXCHANGE GAINS	83
NOTE 37 EARNINGS PER SHARE	83
NOTE 38 DIVIDENDS PER SHARE	83
NOTE 39 CASH GENERATED FROM OPERATIONS	83
NOTE 40 CONVERTIBLE BONDS.....	83
NOTE 41 REDEEMABLE PREFERENCE SHARES	83
NOTE 42 RISKS	84
NOTE 43 COMMITMENTS	84
NOTE 44 BUSINESS COMBINATIONS.....	84
NOTE 45 RELATED PARTY TRANSACTIONS.....	85-87
NOTE 46 EVENTS AFTER THE REPORTING PERIOD	87
NOTE 47 OTHER	88

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A- Cash and Cash Equivalents	14	142,342,426	119,788,925
1- Cash	14	14,155	12,206
2- Cheques Received		-	-
3- Banks	14	59,951,461	52,803,532
4- Cheques Given and Payment Orders	14	(163,210)	(63,794)
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	82,540,020	67,036,981
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	2,682,557,493	2,384,479,049
1- Available-for-Sale Financial Assets	11	518,741,965	379,786,097
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	42,316,499	53,243,910
4- Loans and Receivables	11	14,091,345	299,752
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	2,117,707,466	1,961,449,072
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(10,299,782)	(10,299,782)
C- Receivables from Main Operations	12	4,347,148,160	3,089,760,876
1- Receivables from Insurance Operations	12	8,959,668	7,157,908
2- Provision for Receivables from Insurance Operations	12	(2,574)	(2,574)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders	12	51,779,559	52,535,573
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	4,286,411,507	3,030,069,969
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
D- Due from Related Parties	12	1,096,350	232,068
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	1,096,350	232,068
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	12	1,891,704	7,662,810
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		36,603	37,963
4- Other Miscellaneous Receivables	47	1,855,101	7,624,847
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	4.2	12,601,372	7,931,676
1- Deferred Commission Expense		11,756,454	6,992,514
2- Accrued Interest and Rent Income		194,549	258,822
3- Income Accruals		16	-
4- Other Prepaid Expenses		650,353	680,340
G- Other Current Assets	4.2	23,230	889,196
1- Stocks to be Used in the Following Months		13,176	51,570
2- Prepaid Taxes and Funds		6,751	833,924
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		3,200	3,700
6- Inventory Count Differences		103	2
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		7,187,660,735	5,610,744,600

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
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 Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		-	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	9, 45.d	8,762,193	8,762,193
1- Investments in Equity Shares		-	-
2- Investments in Associates	9,45.d	8,762,193	8,762,193
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets	6	21,311,444	20,902,936
1- Investment Properties	6,7	25,873,087	25,873,087
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	1,338,902	1,338,902
4- Machinery and Equipments	6	5,722,942	4,212,702
5- Furniture and Fixtures	6	2,852,940	2,629,111
6- Motor Vehicles	6	573,475	797,979
7- Other Tangible Assets (Including Leasehold Improvements)	6	2,685,382	2,229,627
8- Tangible Assets Acquired Through Finance Leases	6	1,071,729	1,094,792
9- Accumulated Depreciation	6	(18,807,013)	(17,273,264)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	4,297,953	2,732,892
1- Rights	8	11,845,644	8,299,662
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (Depreciation)	8	(7,547,691)	(5,566,770)
7- Advances Paid for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		58,142	50,699
1- Deferred Commission Expense		58,142	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	50,699
H- Other Non-Current Assets	21	-	4,541,053
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	-	4,541,053
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		34,429,732	36,989,773
TOTAL ASSETS		7,222,090,467	5,647,734,373

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	19	4,371,184,235	3,098,434,154
1- Payables Arising from Insurance Operations	19	4,090,566	4,477,923
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	636,822	686,569
4- Payables Arising from Individual Pension Business	19	4,366,456,847	3,093,269,662
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
C- Due to Related Parties	19	10,432	2,893
1- Due to Shareholders	19,45	8,172	903
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	19	2,260	1,990
D- Other Payables	19	6,469,384	7,560,489
1- Deposits and Guarantees Received	19	244,608	213,442
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	6,224,776	7,347,047
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	17	2,288,110,880	2,092,926,088
1- Reserve for Unearned Premiums - Net	17	22,532,765	13,833,210
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net	17	2,205,674,373	2,027,283,249
4- Provision for Outstanding Claims - Net	17	55,731,619	49,614,913
5- Provision for Bonus and Discounts - Net		256,613	-
6- Other Technical Provisions - Net	17	3,915,510	2,194,716
F- Provisions for Taxes and Other Similar Obligations		11,313,300	9,906,292
1- Taxes and Funds Payable		3,361,051	5,907,683
2- Social Security Premiums Payable		778,284	1,471,455
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	35	26,100,000	13,415,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(18,926,035)	(10,887,846)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	6,359,758	2,338,763
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	6,359,758	2,338,763
H- Deferred Income and Expense Accruals	19	1,793,541	1,574,906
1- Deferred Commission Income	19	415,872	1,511,850
2- Expense Accruals	19	335,971	63,056
3- Other Deferred Income and Expense Accruals	19	1,041,698	-
I- Other Short-Term Liabilities		61	59
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		61	59
3- Other Various Short-Term Liabilities		-	-
III – Total Short-Term Liabilities		6,685,241,591	5,212,743,644

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		-	-
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	22,23	7,408,414	4,828,646
1- Provision for Employee Termination Benefits	22,23	7,408,414	4,828,646
2- Provision for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities	21	4,760,670	-
1- Deferred Tax Liabilities	21	4,760,670	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		12,169,084	4,828,646

The accompanying notes are an integral part of these unconsolidated financial statements

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A- Paid in Capital	2.13,15	300,000,000	300,000,000
1- (Nominal) Capital	2.13,15	300,000,000	300,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
B- Capital Reserves		-	-
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		138,216,732	60,353,708
1- Legal Reserves	15	65,516,677	59,640,083
2- Statutory Reserves	15	13,722,714	9,095,243
3- Extraordinary Reserves	15	12,205,336	1,219,776
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	46,772,005	(9,601,394)
6- Other Profit Reserves		-	-
D- Retained Earnings		6,887,574	5,138,865
1- Retained Earnings		6,887,574	5,138,865
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F-Net Profit for the Period		79,575,486	64,669,510
1- Net Profit for the Period		79,575,486	64,669,510
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	-
V- Total Equity		524,679,792	430,162,083
TOTAL EQUITY AND LIABILITIES		7,222,090,467	5,647,734,373

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Statement of Income
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
I-TECHNICAL SECTION			
A- Non-Life Technical Income	5	681,276	324,579
1- Earned Premiums (Net of Reinsurer Share)		681,276	324,579
1.1- Written Premiums (Net of Reinsurer Share)	24	588,772	642,333
1.1.1- Written Premiums, gross		910,935	832,854
1.1.2- Written Premiums, ceded	10	(322,163)	(190,521)
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		92,504	(317,754)
1.2.1- Reserve for Unearned Premiums, gross		119,006	(371,446)
1.2.2- Reserve for Unearned Premiums, ceded	10	(26,502)	53,692
1.2.3 - Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income - Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense	5	(663,540)	(331,636)
1- Incurred Losses (Net of Reinsurer Share)		(338,489)	(147,995)
1.1- Claims Paid (Net of Reinsurer Share)		(317,078)	(90,002)
1.1.1- Claims Paid, gross		(362,397)	(90,002)
1.1.2- Claims Paid, ceded	10	45,319	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(21,411)	(57,993)
1.2.1- Change in Provisions for Outstanding Claims, gross		9,266	(95,094)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(30,677)	37,101
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(11,704)	(18,146)
4- Operating Expenses	32	(313,347)	(165,495)
5- Change in Mathematical Provision (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1.- Change in Mathematical Provision, gross		-	-
5.2 - Change in Mathematical Provision, ceded		-	-
6- Change in Other Technical Provision (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
6.1- Change in Other Technical Provision, gross		-	-
6.2.- Change in Other Technical Provision, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		17,736	(7,057)
D- Life Technical Income	5	502,677,829	563,171,487
1- Earned Premiums (Net of Reinsurer Share)		346,805,251	331,774,313
1.1- Written Premiums (Net of Reinsurer Share)	24	355,597,310	337,208,124
1.1.1- Written Premiums, gross		367,057,439	347,603,291
1.1.2- Written Premiums, ceded	10	(11,460,129)	(10,395,167)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(8,792,059)	(5,433,811)
1.2.1- Reserve for Unearned Premiums, gross		(8,923,900)	(5,646,631)
1.2.2- Reserve for Unearned Premiums, ceded	10	131,841	212,820
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	26	149,640,101	223,432,387
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		6,232,477	7,964,787
4.1- Other Technical Income, gross		6,232,477	7,964,787
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Statement of Income
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
I-TECHNICAL SECTION			
E- Life Technical Expense	5	(469,262,040)	(528,724,711)
1- Incurred Losses (Net of Reinsurer Share)		(454,748,419)	(432,889,365)
1.1- Claims Paid (Net of Reinsurer Share)		(442,038,966)	(429,084,490)
1.1.1- Claims Paid, gross		(445,432,538)	(430,720,241)
1.1.2- Claims Paid, ceded	10	3,393,572	1,635,751
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(12,709,453)	(3,804,875)
1.2.1- Change in Provisions for Outstanding Claims, gross		(12,355,824)	(4,168,794)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(353,629)	363,919
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(256,613)	-
2.1- Provision for Bonus and Discounts, gross		(528,684)	-
2.2- Provision for Bonus and Discounts, ceded		272,071	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		59,536,681	(41,996,300)
3.1- Change in Life Mathematical Provisions, gross		59,323,757	(43,956,808)
3.1.1- Change in Actuarial Mathematical Provisions, gross		46,422,570	(84,286,894)
3.1.2- Change in Profit Share Provision (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		12,901,187	40,330,086
3.2- Change in Life Mathematical Provisions, ceded	10	212,924	1,960,508
3.2.1- Change in Actuarial Mathematical Provisions, ceded		212,924	1,960,508
3.2.2- Change in Profit Share Provision (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(1,709,090)	(956,253)
5- Operating Expenses	32	(72,084,599)	(52,882,793)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		33,415,789	34,446,776
G- Pension Business Technical Income	5, 25	139,026,057	113,849,562
1- Fund Management Income	25	88,470,973	70,109,006
2- Management Fee	25	33,953,327	29,083,449
3- Entrance Fee Income	25	16,121,343	14,256,976
4- Management Expense Charge in case of Suspension	25	367,261	278,560
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance	25	-	16,700
7- Other Technical Income	25	113,153	104,871
H- Pension Business Technical Expense	5	(119,530,396)	(113,844,799)
1- Fund Management Expense		(15,070,322)	(12,160,541)
2- Decrease in Value of Capital Allowances Given as Advance		(2,400)	(14,300)
3- Operating Expenses	32	(102,992,329)	(100,224,705)
4- Other Technical Expenses		(1,465,345)	(1,445,253)
I- Net Technical Income - Pension Business (G – H)		19,495,661	4,763

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Statement of Income
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		17,736	(7,057)
F- Net Technical Income – Life (D-E)		33,415,789	34,446,776
I - Net Technical Income – Pension Business (G-H)		19,495,661	4,763
J- Total Net Technical Income (C+F+I)		52,929,186	34,444,482
K- Investment Income	26	63,514,117	57,222,042
1- Income from Financial Assets		21,023,955	28,493,844
2- Income from Disposal of Financial Assets		7,511,180	5,747,322
3- Valuation of Financial Assets		23,349,879	3,363,067
4- Foreign Exchange Gains	36	513,717	3,327,777
5- Income from Associates	26	539,038	3,627,387
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	3,059,325	2,590,872
8- Income from Derivative Transactions		421,238	325,415
9- Other Investments	26	7,095,785	9,746,358
10- Income Transferred from Life Section		-	-
L- Investment Expense (-)		(7,186,728)	(7,602,775)
1- Investment Management Expenses (inc. interest)		(1,228,879)	(2,081,878)
2- Diminution in Value of Investments		-	(6,563)
3- Loss from Disposal of Financial Assets		(1,207,110)	(1,467,101)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(945,869)	(646,502)
7- Depreciation and Amortization Expenses	6,8	(3,804,870)	(3,400,731)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operation(+/-)		(3,581,089)	(5,979,239)
1- Provisions	47	(2,301,040)	(5,646,508)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Income)	21	-	275,348
6- Deferred Taxation (Deferred Tax Expense)	21	(447,909)	-
7- Other Income		6	14,415
8- Other Expenses and Losses		(832,146)	(622,494)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year	37	79,575,486	64,669,510
1- Profit for the Year		105,675,486	78,084,510
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(26,100,000)	(13,415,000)
3- Net Profit for the Year	37	79,575,486	64,669,510
4- Monetary Gains and Losses		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Cash Flows
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A. Cash flows from operating activities			
1. Cash provided from insurance activities		438,572,755	657,443,289
2. Cash provided from reinsurance activities		-	142,685
3. Cash provided from individual pension business		154,825,958	122,030,762
4. Cash used in insurance activities		(514,400,927)	(555,773,433)
5. Cash used in reinsurance activities		(49,747)	-
6. Cash used in individual pension business		(116,165,455)	(109,744,982)
7. Cash provided by operating activities		(37,217,416)	114,098,321
8. Interest paid		-	-
9. Income taxes paid		(13,415,000)	(15,139,000)
10. Other cash inflows		25,303,735	15,411,336
11. Other cash outflows		(28,434,068)	-
12. Net cash provided by operating activities		(53,762,749)	114,370,657
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		2,346,709	27,618
2. Acquisition of tangible assets	6,8	(8,018,006)	(3,260,344)
3. Acquisition of financial assets		(309,005,855)	(510,600,171)
4. Proceeds from disposal of financial assets		335,767,769	303,058,650
5. Interests received		90,347,872	120,153,890
6. Dividends received		3,314,217	2,961,934
7. Other cash inflows		66,130,167	14,623,486
8. Other cash outflows		(63,093,995)	(8,763,426)
9. Net cash used in investing activities		117,788,878	(81,798,363)
C. Cash flows from financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		(41,431,176)	(41,658,560)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash provided by financing activities		(41,431,176)	(41,658,560)
D. Effect of exchange rate fluctuations on cash and cash equivalents			
			-
E. Net increase in cash and cash equivalents		22,594,953	(9,086,266)
F. Cash and cash equivalents at the beginning of the year	14	119,465,270	128,551,536
G. Cash and cash equivalents at the end of the year	14	142,060,223	119,465,270

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Changes in Equity
For the Year Ended 31 December 2012

(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1 .1*

Audited Changes in Equity – 31 December 2011												
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (or Loss) for the Period	Retained Earnings	Total
I - Balance at the end of the year period – 31 December 2010		250,000,000	-	33,893,427	-	-	53,156,391	23,652,466	13,367,976	71,397,334	5,178,360	450,645,954
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) –1 January 2011		250,000,000	-	33,893,427	-	-	53,156,391	23,652,466	13,367,976	71,397,334	5,178,360	450,645,954
A- Capital increase (A1+A2)		50,000,000	-	-	-	-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		50,000,000	-	-	-	-	-	(19,919,900)	(30,040,605)	-	(39,495)	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D- Change in the value of financial assets	15	-	-	(43,494,821)	-	-	-	-	-	-	-	(43,494,821)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	64,669,510	-	64,669,510
I – Dividends paid	38	-	-	-	-	-	-	-	-	(41,658,560)	-	(41,658,560)
J - Transfers from retained earnings	15	-	-	-	-	-	6,483,692	5,362,677	17,892,405	(29,738,774)	-	-
IV - Balance at the end of the year – 31 December 2011		300,000,000	-	(9,601,394)	-	-	59,640,083	9,095,243	1,219,776	64,669,510	5,138,865	430,162,083

Audited Changes in Equity – 31 December 2012												
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
I - Balance at the end of the year period – 31 December 2011		300,000,000	-	(9,601,394)	-	-	59,640,083	9,095,243	1,219,776	64,669,510	5,138,865	430,162,083
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) –1 January 2012		300,000,000	-	(9,601,394)	-	-	59,640,083	9,095,243	1,219,776	64,669,510	5,138,865	430,162,083
A- Capital increase (A1+A2)		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D- Change in the value of financial assets	15	-	-	56,373,399	-	-	-	-	-	-	-	56,373,399
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	79,575,486	-	79,575,486
I – Dividends paid	38	-	-	-	-	-	-	-	-	(41,431,176)	-	(41,431,176)
J - Transfers from retained earnings	15	-	-	-	-	-	5,876,594	4,627,471	10,985,560	(23,238,334)	1,748,709	-
IV - Balance at the end of the period – 31 December 2012		300,000,000	-	46,772,005	-	-	65,516,677	13,722,714	12,205,336	79,575,486	6,887,574	524,679,792

The accompanying notes are an integral part of these unconsolidated interim financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Statement of Profit Distribution
For the Year Ended 31 December 2012

(Currency: Turkish Lira (TRY))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period 31 December 2012 ^(**)	Audited Prior Period 31 December 2011
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT ^(*)		109,052,075	76,335,800
1.2. TAXES AND DUTIES PAYABLE		(26,100,000)	(13,415,000)
1.2.1. Corporate Tax (Income Tax)		(26,100,000)	(13,415,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
A. CURRENT PERIOD PROFIT (1.1 – 1.2)		82,952,075	62,920,800
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		(4,078,774)	(3,233,476)
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		78,873,301	59,687,324
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(11,981,441)
1.6.1. To owners of ordinary shares		-	(11,981,441)
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	(1,431,176)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To owners of ordinary shares		-	(28,018,559)
1.9.2. To owners of privileged shares		-	(28,018,559)
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. LEGAL RESERVES (-)		-	-
1.11. STATUTORY RESERVES(-)		-	(2,643,118)
1.12. EXTRAORDINARY RESERVES		-	(4,627,471)
1.13. OTHER RESERVES		-	(12,734,269)
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1. TO OWNERS OF ORDINARY SHARES		0,27651	0.20974
3.2. TO OWNERS OF ORDINARY SHARES (%)		27,651	20.974
3.3. TO OWNERS OF PRIVILEGED SHARES		0,27651	0.20974
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		27,651	20.974
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

^(*)Consolidated current year profit is used for profit distribution as per the regulation announced by the Capital Market Board weekly bulletin numbered 2010/4. Provision for dividend expense amounting to TRY 2,000,000 is added to the profit for the year ended 31 December 2012.

^(**) As of the reporting date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the profit distribution table above.

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2012

(Currency: Turkish Lira (TRY))

1 General information

1.1 Name of the Company and the ultimate owner of the group

Anadolu Hayat Emeklilik Anonim Şirketi (“the Company”) has been operating since 31 May 1990 and the shareholding structure of the Company is presented below. As at 31 December 2012, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ (“İş Bankası”) by 83.0% of the outstanding shares of the Company.

Name	31 December 2012		31 December 2011	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ	186,000,000	62.0	186,000,000	62.0
Anadolu Anonim Türk Sigorta Şirketi	60,000,000	20.0	60,000,000	20.0
Milli Reasürans TAŞ	3,000,000	1.0	3,000,000	1.0
Publicly traded	51,000,000	17.0	51,000,000	17.0
Paid in capital	300,000,000	100.0	300,000,000	100.0

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company was registered in Turkey and has the status of ‘Incorporated Company’ in accordance with the regulations of Turkish Commercial Code (“TTK”). The address of the Company’s registered office is Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16, Levent 34330 Beşiktaş/İstanbul.

1.3 Business of the Company

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

As at 31 December 2012, the Company has 21 individual pension investment funds (31 December 2011: 19)

1 General information (continued)

1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 – *Business of the Company* and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No.5684 (the “Insurance Law”) issued on 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No.4632 (the “Individual Pension Law”) and other communiqués and regulations in force issued by the Prime Ministry Undersecretariat of the Treasury of the Turkish Republic (the “Turkish Treasury”) based on the Insurance Law and the Individual Pension Law.

The Company’s shares have been listed on the Istanbul Stock Exchange (“ISE”). In accordance with Article 136(1) in Section VIII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	31 December 2012	31 December 2011
Senior level managers	7	7
Directors	86	84
Officers	298	272
Contracted personnel	6	6
Marketing and sales personnel	315	312
Other	13	14
Total	725	695

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2012, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TRY 3,616,722 (31 December 2011: TRY 3,158,228).

1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered “Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan” issued by the Turkish Treasury. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered “Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan” issued by the Turkish Treasury. Amendment is effective from 1 January 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing “number of the policies produced within the last three years”, “gross premiums written within the last three years”, and “number of the claims reported within the last three years” to the “total number of the policies”, “total gross written premiums”, and the “total number of the claims reported”, respectively.

1 General information (continued)

1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements (continued)

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical section, remaining income is transferred to the non-technical section.

As at the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 – *Segment distribution*.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further detailed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at 31 December 2012, separately.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting period

Trade name of the Company	: Anadolu Hayat Emeklilik AŞ
Registered address of the head office	: İş Kuleleri, Kule 2 Kat 20 34330, Levent/İstanbul
The web page of the Company	: www.anadoluhayat.com.tr
E-mail address of the Company	: hizmet@anadoluhayat.com.tr
Phone	: 0212 317 70 70
Fax	: 0212 317 70 77

There has been no change in the aforementioned information subsequent to the previous reporting period.

1.10 Events after the reporting period

None.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

In accordance with Article 136 (1) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) in accordance with the “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies” as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Individual Pension Law.

Although the 4th standard of the Turkish Accounting Standards Board (“TASB”) for the ‘*Insurance contracts*’ became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that TFRS 4 will not be implemented at this stage since the second phase of the International Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, “Communiqué on Technical Reserves for Insurance, Reinsurance and Individual Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) is published in the Official Gazette dated 7 August 2007, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on their own captions in the following sections.

Accounting for subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered “Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures”, issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TFRSs for the accounting of subsidiaries, associates and joint venture until the publication of another regulation on this issue by the Turkish Treasury. “Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies” issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4th repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no 1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 – *Financial Reporting in Hyperinflationary Economies* as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting period, and that corresponding figures for previous years be restated in the same terms.

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening financial statements of 2005 in accordance with the “Restatement of Financial Statements in Hyperinflationary Periods” of the Capital Markets Board (“CMB”) Communiqué No: 25 of Series XI, “Communiqué on Accounting Standards in Capital Market” published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2012, non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal costs or values.

Other accounting policies

Information regarding to other accounting policies is explained above in the section of note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

2.1.3 Functional and presentation currency

The Company’s financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in TRY, which is the functional and presentation currency of the Company.

2.1.4 Rounding level of the amounts presented in the financial statements

Financial information presented in TRY, has been rounded to the nearest TRY values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets and financial investments with risks on saving life policyholders classified as available-for-sale financial assets and derivative financial instruments which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

There have been no changes in the accounting policies or errors in the current period.

Critical accounting judgements made in applying the Company’s accounting policies are explained in note 3 – *Critical accounting estimates and judgments in applying accounting policies*.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

“Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies” issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company’s associate; İş Portföy Yönetimi AŞ.

In the 12 August 2008 dated and 2008/36 numbered “Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies” of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with *TAS 39 – Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of *TAS 27 – Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting period the Company has accounted for its associate at cost less impairment losses, if any.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company’s functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting period and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in “Revaluation of financial assets” under equity and the realized gain or losses are recognized directly in the statement of income. Foreign currency exchange differences of unrecognized gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as ‘insurance technical provisions – life mathematical provisions’.

2 Summary of significant accounting policies (continued)

2.5 Tangible assets

Tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50 years	2.00
Machinery and equipment	3-16 years	6.25-33.33
Fixtures and furniture	4-13 years	7.69-25.00
Vehicles	5 years	20.00
Other tangible assets (includes leasehold improvements)	5 years	20.00
Leased assets	4-15 years	6.66-25.00

2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Company measured all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less impairment losses if any).

Depreciation is provided on investment properties on a straight line basis. Depreciation period for investment properties is 50 years for buildings and land is not depreciated.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with the "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3 years) over the cost of the asset.

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

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – *Derivative financial instruments*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “Revaluation of financial assets” under shareholders’ equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

Associates are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

Specific instruments

Financial investments with risks on saving life policyholders are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortized costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as ‘insurance technical provisions – life mathematical provisions’. As at 31 December 2012, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounting to TRY 245,052,988 (31 December 2011: TRY 7,125,182) is recorded in life mathematical provisions.

Receivables from individual pension operations consist of ‘capital advances given to pension investment funds’, ‘receivable from pension investment funds for fund management fees’, ‘entrance fee receivable from participants’ and ‘receivables from clearing house on behalf of the participants’.

‘Receivable from pension investment funds for fund management fee’ are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under ‘capital advances given to pension investment funds’.

‘Receivables from the clearing house on behalf of the participants’ is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the ‘payables arising from individual pension businesses’.

Loans to the policyholders are loans that are provided to the policyholders from saving component of the life insurance policies based on the fund amounts and fund unit prices. Valuation of the loans to the policyholders based on the fund amounts and fund unit prices as at the reporting date.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting period to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each reporting period, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the “TAS 36 – Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are detailed in *Note 47*.

2.10 Derivative financial instruments

As at the reporting period, derivative financial instruments of the Company consist of TurkDEX-ISE 30 Index future contracts. These derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments*.

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as “financial assets held for trading” and negative fair value differences are presented as “other financial liabilities” in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2 Summary of significant accounting policies (continued)

2.11 Offsetting of financial assets

Financial assets and liabilities are off-set and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is a base for the preparation of the statement of cash flows includes cash on hand, other cash and cash equivalents, demand deposits and time deposits at banks having original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As of 31 December 2012, the Company's issued capital is TRY 300,000,000 (31 December 2011: TRY 300,000,000).

Sources of the capital increases during the period

None.

Privileges on common shares representing share capital

As at 31 December 2012, the share capital of the Company was amounted TRY 300,000,000 (31 December 2011: TRY 300,000,000), divided into 30,000,000,000 shares (31 December 2011: 30,000,000,000 shares) with each has a nominal value of TRY 0.01 The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TRY 0.01 for each and 29,900,000,000 Group B shares having a nominal values of TRY 0.01 for each. Among nine members of the Board of Directors, six are elected among candidates nominated by Group A shareholders while three are elected among candidates nominated by Group B shareholders.

Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2012 the registered capital of the Company is TRY 450,000,000 (31 December 2011: TRY 450,000,000).

Repurchased own shares by the Company

None.

2 Summary of significant accounting policies (continued)

2.14 Insurance and investment contracts – classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption “written premiums”.

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature (“DPF”) within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:
 - (1) the performance of a specified pool of contracts or a specified type of contract;
 - (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) the profit or loss of the Company, Fund or other entity that issues the contract.

As at the reporting period, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

2 Summary of significant accounting policies (continued)

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

Payables from individual pension business consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. Payables to individual pension agencies are Company's liabilities to individual pension agencies in return of their services.

2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2012 and 2011, the Company does not have any deductible tax losses.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to the "General Communiqué on Corporate Tax" promulgated in Official Gazette no 28178 dated 19 January 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously.

2 Summary of significant accounting policies (continued)

2.18 Income taxes (continued)

Deferred tax

In accordance with TAS 12 – *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2012 is TRY 3,033.98 (31 December 2011: TRY 2,731.85).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Discount rate	1.00% - 4.57%	2.58% - 4.50%
Expected rate of salary/limit increase	5.00%	5.00%

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

2 Summary of significant accounting policies (continued)

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting period and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the footnotes to the financial statements.

A contingent asset is a possible asset 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 Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the profit or loss statement.

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

Commission income and expense

As further disclosed in *Note 2.24*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

In order to net-off the receivable accounts in compliance with the matching principle, the Company reserves a provision of commissions to intermediaries over the accrued but uncollected receivables from policyholders balance as at the reporting period. While the commissions to intermediaries for non-life branches are not accrued, the commission amount that has to be paid in case of the collection of receivables is calculated on the basis of policy for life branch.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Turkish Treasury on 28 December 2007, starting from 10 January 2008, deferred reinsurance commissions are presented in “Deferred Income” account in the balance sheet.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Interest income and expense

Interest income and expense are recognized in the statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as “Income from disposal of financial assets” and “Loss from disposal of financial assets” in the accompanying unconsolidated financial statements.

Dividends

Dividend income is recognized when the Company’s right to receive payment is ascertained.

Income from individual pension operations

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as “Fund management income” under technical income and portion of the portfolio manager is recognized as “Fund management expense” under technical expenses.

Management fee is levied on contributions of the participants up to 8% and recognized as income.

Entrance fees are received by the Company from participants during the entrance into the system and for the opening of a new individual pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract. In the outstanding individual pension contracts of the Company, significant portion of the entrance fees is deferred to the end of the contract. The deferred and contingent entrance fees are recorded into income statement.

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as “increase in value of capital allowances given as advances”.

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash. Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary. For the year ended period 31 December 2012, dividends to the personnel have been accounted for in the statement of income through accounting in the current year's profits/losses in accordance with TAS 19 – Employee Benefits.

Dividend payables are recorded as liability in the financial statements when they are announced.

2.24 Reserve for unearned premiums

In accordance with the “Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting period for all short- term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. In accordance with the “Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 30 June 2012, reserve for unearned premiums is calculated from remaining amount of gross written premiums by deducting saving component and expenses related with saving component for life insurance and life insurance with saving components having longer than one year maturity. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

2 Summary of significant accounting policies (continued)

2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with the “Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 31 December 2012, the test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. The difference between the gross amount and the net amount is considered as the reinsurer’s share. Turkish Treasury is authorized to change test methods and require additional reserve for unexpired risks on branch basis.

As at 31 December 2012 and 2011, related test have not resulted in any deficiency regarding reserve for unexpired risks.

2.26 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting period as well as the corresponding handling costs.

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as “Communiqué on Amendments to Communiqué on Technical Reserves” in Official Gazette dated 28 July 2010 and numbered 27655.

Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

Additional amendments effective from 30 June 2012 are issued in the “Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” in 28356 numbered and 17 July 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported (“IBNR”) claims. According to the “Communiqué on Provision for IBNR Claims in Life Branch” numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years’ weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 3,832,540 (31 December 2011: TRY 3,559,695).

According to the 7th article 6th subclause of the “Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. The Company has selected “Standard chain ladder method” for personal accident branch as stated in the “Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method” dated 20 September 2010 and numbered 2010/12. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 38,228 (31 December 2011: TRY 57,854).

In the Sector Announcement dated 18 July 2012 and numbered 2012/13 published by the Turkish Treasury, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each reporting period. Companies performed actuarial chain ladder methods are not obliged to record additional provision for outstanding claims. As at 31 December 2012, this adequacy test has not resulted in additional provision for outstanding claims.

2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year’s income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 – *Financial assets* above.

2 Summary of significant accounting policies (continued)

2.28 Equalization provision

According to “Communiqué on Technical Reserves”, companies should book equalization provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognize equalization provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on 28 July 2010 and numbered 27655 “Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”, the calculation of equalization provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalization provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalization provisions amounting to TRY 3,915,510 are presented under “other technical reserves” within short-term liabilities in the accompanying financial statements (31 December 2011: TRY 2,194,716).

2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or any individual referred to in (d) or (e) which significant voting power in such entity resides with directly or indirectly, or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

2 Summary of significant accounting policies (continued)

2.30 Earnings per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior years’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

2.31 Events after the reporting period

“Events After the Reporting Period”; post-reporting date events that provide additional information about the Company’s position at the reporting periods (adjusting events) are reflected in the unconsolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2012. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of IFRS 9 – *Financial instruments*, which is published by the Turkish Accounting Standards Board on Official Gazette dated 27 April 2010 and numbered 27564.

IFRS 9 – *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of IFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity’s future cash flows. With IFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply IFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

Revised IFRS 13 “*Fair Value Measurement*” replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity shall apply IFRS 13 for annual periods beginning on or after 1 January 2013. The Company is in the process of assessing the impact of the revised standard on the financial position or performance of the Company.

2 Summary of significant accounting policies (continued)

2.32 New standards and interpretations not yet adopted (continued)

The amended IAS 19 “*Employee Benefits*” is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the revised standard on the financial position or performance of the Company.

New standards and interpretations not yet adopted and have no effect on the Company’s financials

- IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 *Joint Arrangements* focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case) and supersedes IAS 31 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2013.
- IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008). IAS 28 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 7 – Financial Instruments Explanations –with the change at Clarification of Financial Assets and Debts Standard provides useful information to the users of financial statements on i) evaluation of impacts and possible effects of clarified transactions on the financial condition of the company and ii) analysis and comparison of financial statements prepared in accordance with IFRS principles and other generally accepted accounting principles. This amendment has not been accepted by the European Union. The amendments will be valid for the accounting years as from 1 January 2013 and for the interim periods which are within this accounting years. The amendment affects only the explanation principles.
- IAS 32 – Financial Instruments: Presentation – The amendment on the Clarification of Financial Assets and Debts aims to clarify the statement “existence of an available and legal right for clarification of the recognized amounts”. Additionally IAS 32 clarifies application areas of settlement systems (such as Exchange bureaus) where gross payment is made and where clarification principle is not implemented simultaneously. Amendments will be applied for the accounting periods starting as from 1 January 2014 retrospectively.

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 – *Management of insurance risk* and note 4.2 – *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 2.26* – Provision for outstanding claims
- Note 2.27* – Mathematical provisions
- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Note 21* – Deferred tax

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non coverage of the claims paid by the premiums collected.

As of 31 December 2012, the Company's life insurance claims/premiums ratio stands at 23%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyzes its claims/premiums ratio periodically in order to identify its insurance risks.

As of 31 December 2012, the Company's personal accident insurance claims/premiums ratio is 50%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement periods is presented below:

	31 December 2012	31 December 2011
Life insurance	23%	21%
Personal accident	50%	24%

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

As at 31 December 2012 and 2011, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	31 December 2012	31 December 2011
Death by natural cause	7%	7%
Death by accident	51%	36%
Disability by accident	49%	49%
Disability by illness	42%	46%

Sensitivity to insurance risk

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

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. As a result of these agreements, if the Company's "death by natural cause" risk account exceeds amounts in agreements "death by accident", the Company transfers the exceeding claim payments to reinsurers. The Company also transfers the exceeding claim payments to reinsurers if the Company's "death by natural cause" or "death by accident" risk accounts exceed amounts in agreements for all policies.

Outstanding claims are reviewed and updated periodically by the experts of the Company's Claims Department.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

31 December 2012			
Branches	Total gross risk liability^(*)	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	34,238,444,953	5,935,647,619	28,302,797,334
Personal accident	2,802,704,014	1,534,836,503	1,267,867,512
Total	37,041,148,967	7,470,484,122	29,570,664,846
31 December 2011			
Branches	Total gross risk liability^(*)	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	31,140,489,747	5,697,118,108	25,443,371,639
Personal accident	2,454,613,668	1,019,646,081	1,434,967,587
Total	33,595,103,415	6,716,764,189	26,878,339,226

(*) Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency) (continued)

The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarized as below:

Claims liability (*)	31 December 2012		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	21,480,725	68,937	21,411,788
Central Anatolian Region	8,709,904	48,056	8,661,848
Aegean Region	7,173,066	5,775	7,167,291
Mediterranean Region	4,462,034	14,598	4,447,436
Black Sea Region	3,713,142	-	3,713,142
South East Anatolian Region	1,715,237	1,051	1,714,186
East Anatolian Region	2,025,848	1,318	2,024,530
Foreign countries (other)	2,722,129	1,500	2,720,629
Total	52,002,085	141,235	51,860,850

Claims liability (*)	31 December 2011		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	18,513,556	673,064	17,840,492
Central Anatolian Region	7,724,049	1,230	7,722,819
Aegean Region	5,899,367	3,465	5,895,902
Mediterranean Region	4,642,081	28,720	4,613,361
Black Sea Region	3,466,193	5,583	3,460,610
South East Anatolian Region	1,980,702	-	1,980,702
East Anatolian Region	1,843,162	-	1,843,162
Foreign countries (other)	2,640,316	-	2,640,316
Total	46,709,426	712,062	45,997,364

(*) Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

Comparison of incurred claims with past estimations

As at 31 December 2012, there is not any deficiency in the outstanding claims reserve of the Company.

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets*.

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

In the current period, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Financial risk management

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's risk management program focuses on minimizing the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

Reinsurers: Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

Agencies: Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

Policyholders: Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Credit risk (continued)

As at 31 December 2012 and 2011, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

31 December 2012	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	-	60,736,653	1,096,350	1,891,704	2,562,713,429	142,491,481
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	54,917,279	1,096,350	1,891,704	2,562,713,429	142,491,481
B. Net book value of past due but not impaired assets	-	5,819,374	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

31 December 2011	Receivables (*)				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	118,775	59,572,132	232,068	7,662,810	2,297,877,021	119,840,513
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	118,775	55,283,626	232,068	7,662,810	2,297,877,021	119,840,513
B. Net book value of part due but not impaired assets	-	4,288,506	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

(*) Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by IMKB Takas ve Saklama Bankası AŞ (the "ISE Settlement and Custody Bank").

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at 31 December 2012, maturity analyses of the Company's assets and liabilities are presented in the table below:

31 December 2012	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	5,724,356	136,618,070	-	-	-	-	-	142,342,426
Financial assets and investments with risks on policyholders	-	19,083,944	16,543,014	242,201,381	754,493,001	1,423,754,509	226,481,644	2,682,557,493
Receivables from main operations	-	436,074	1,003,583	1,700,637	-	-	4,344,007,866	4,347,148,160
Due from related parties	-	-	1,096,350	-	-	-	-	1,096,350
Other receivables	-	1,166,746	-	-	-	-	724,958	1,891,704
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	12,601,372	12,601,372
Other current assets	-	-	-	-	-	-	23,230	23,230
Financial assets (Associates)	-	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	-	21,311,444	21,311,444
Intangible assets	-	-	-	-	-	-	4,297,953	4,297,953
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	58,142	58,142
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	5,724,356	157,304,834	18,642,947	243,902,018	754,493,001	1,423,754,509	4,618,268,802	7,222,090,467
Payables arising from main operations	-	9,105,720	-	636,822	-	-	4,361,441,693	4,371,184,235
Due to related parties	-	-	-	8,172	-	-	2,260	10,432
Other payables	-	3,850,309	-	-	-	-	2,619,075	6,469,384
Insurance technical provisions	-	-	-	-	-	-	2,288,110,880	2,288,110,880
Provisions for taxes and other similar obligations	-	4,139,335	-	-	-	-	7,173,965	11,313,300
Deferred income and expense accruals	-	-	-	-	-	-	1,793,541	1,793,541
Other short term liabilities	-	-	-	-	-	-	61	61
Provisions for other risks	-	500,000	-	-	-	7,408,414	5,859,758	13,768,172
Deferred tax liabilities	-	-	-	-	-	-	4,760,670	4,760,670
Shareholders' equity	-	-	-	-	-	-	524,679,792	524,679,792
Total liabilities	-	17,595,364	-	644,994	-	7,408,414	7,196,441,695	7,222,090,467
Net liquidity surplus/(deficit)	5,724,356	139,709,470	18,642,947	243,257,024	754,493,001	1,416,346,095	(2,578,172,893)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	4,590,777	100,490,524	14,707,624	-	-	-	-	119,788,925
Financial assets and investments with risks on policyholders	-	6,404,550	82,362,368	146,995,010	585,061,231	1,393,273,516	170,382,374	2,384,479,049
Receivables from main operations	-	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	-	232,068	-	-	-	232,068
Other receivables	-	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	-	4,541,053	4,541,053
Total assets	4,590,777	114,220,280	98,074,268	148,707,042	585,061,231	1,393,273,516	3,303,807,259	5,647,734,373
Payables arising from main operations	-	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	-	903	-	-	1,990	2,893
Other payables	-	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	-	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	-	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	-	430,162,083	430,162,083
Total liabilities	-	16,135,278	1,837,528	687,472	-	4,828,646	5,624,245,449	5,647,734,373
Net liquidity surplus/(deficit)	4,590,777	98,085,002	96,236,740	148,019,570	585,061,231	1,388,444,870	(2,320,438,190)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

The Company's exposure to foreign currency risk is as follows:

Foreign currency position table – 31 December 2012						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	2,543,732	2,138,498	137,416	113,413	154,405	-
2. Financial assets and financial investments with risks on policyholders	418,853,062	297,272,130	107,842,355	13,738,577	-	-
3. Receivables from main operations	374,618	303,753	66,438	4,427	-	-
4. Reinsurance receivables	23,942	10,655	13,287	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	19,609	19,609	-	-	-	-
Foreign currency assets, current	421,814,963	299,744,645	108,059,496	13,856,417	154,405	-
7. Total assets	421,814,963	299,744,645	108,059,496	13,856,417	154,405	-
8. Finance lease liabilities	-	-	-	-	-	-
9. Payables to reinsurers	963	-	-	700	-	263
10. Agency guarantees	181,307	170,648	10,659	-	-	-
11. Technical provisions	313,232,568	218,974,074	84,117,708	10,068,544	15,750	56,492
Foreign currency liabilities, short term	313,414,838	219,144,722	84,128,367	10,069,244	15,750	56,755
12. Total liabilities	313,414,838	219,144,722	84,128,367	10,069,244	15,750	56,755
Net financial position	108,400,125	80,599,923	23,931,129	3,787,173	138,655	(56,755)
Net long/(short) position on monetary items	108,380,516	80,580,314	23,931,129	3,787,173	138,655	(56,755)

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency position table – 31 December 2011						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	523,616	318,401	34,489	23,491	147,235	-
2. Financial assets and financial investments with risks on policyholders	361,399,276	254,198,142	94,513,542	12,687,592	-	-
3. Receivables from main operations	598,991	486,131	105,445	7,222	-	193
4. Reinsurance receivables	41,875	-	41,875	-	-	-
5. Rent receivables	4,590	4,590	-	-	-	-
6. Deposits given	20,778	20,778	-	-	-	-
Foreign currency assets, current	362,589,126	255,028,042	94,695,351	12,718,305	147,235	193
7. Total assets	362,589,126	255,028,042	94,695,351	12,718,305	147,235	193
8. Finance lease liabilities	-	-	-	-	-	-
9. Payables to reinsurers	40,148	37,905	-	1,167	14	1,062
10. Agency guarantees	171,486	167,140	4,346	-	-	-
11. Technical provisions	328,677,846	233,976,862	84,560,016	10,015,584	23,523	101,861
Foreign currency liabilities, short term	328,889,480	234,181,907	84,564,362	10,016,751	23,537	102,923
12. Total liabilities	328,889,480	234,181,907	84,564,362	10,016,751	23,537	102,923
Net financial position	33,699,646	20,846,135	10,130,989	2,701,554	123,698	(102,730)
Net long/(short) position on monetary items	33,678,868	20,825,357	10,130,989	2,701,554	123,698	(102,730)

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2012.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting periods are as follows:

31 December 2012	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	1.7826	2.3517	2.8708	1.9430	0.0207
31 December 2011	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	1.8889	2.4438	2.9170	2.0062	0.0243

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2012 and 2011 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TRY against the following currencies, the effect will be in opposite direction.

Exchange rate sensitivity analysis table – 31 December 2012				
	Profit/loss		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	7,654,585	(7,654,585)	8,059,992	(8,059,992)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	7,654,585	(7,654,585)	8,059,992	(8,059,992)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,332,055	(2,332,055)	2,393,113	(2,393,113)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,332,055	(2,332,055)	2,393,113	(2,393,113)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	361,013	(361,013)	378,717	(378,717)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	361,013	(361,013)	378,717	(378,717)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	13,866	(13,866)	13,866	(13,866)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	13,866	(13,866)	13,866	(13,866)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(5,676)	5,676	(5,676)	5,676
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(5,676)	5,676	(5,676)	5,676
Total (3+6+9+12+15)	10,355,843	(10,355,843)	10,840,012	(10,840,012)

(*) Includes profit / loss effect.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

Exchange rate sensitivity analysis table – 31 December 2011				
	Profit/loss		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	1,963,225	(1,963,225)	2,084,614	(2,084,614)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	1,963,225	(1,963,225)	2,084,614	(2,084,614)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	1,006,851	(1,006,851)	1,013,099	(1,013,099)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	1,006,851	(1,006,851)	1,013,099	(1,013,099)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	266,807	(266,807)	270,155	(270,155)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	266,807	(266,807)	270,155	(270,155)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	12,370	(12,370)	12,370	(12,370)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	12,370	(12,370)	12,370	(12,370)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(10,273)	10,273	(10,273)	10,273
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(10,273)	10,273	(10,273)	10,273
Total (3+6+9+12+15)	3,238,980	(3,238,980)	3,369,965	(3,369,965)

^(*) Includes profit / loss effect.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk

Exposure to interest risk (continued)

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	31 December 2012	31 December 2011
Fixed rate financial instruments		
Financial assets	1,875,486,885	1,632,216,630
<i>Financial assets at fair value through profit or loss</i>	-	4,111,040
<i>Available-for-sale financial assets</i>	1,861,395,540	1,627,805,838
<i>Loans and receivables</i>	14,091,345	299,752
Banks	54,078,050	48,161,167
Variable rate financial instruments		
Financial assets	580,588,964	581,880,045

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments

As at 31 December 2012 and 2011, interest rate risk analysis of financial assets and financial liabilities are summarized in the table below:

31 December 2012	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
Assets:							
Cash and cash equivalents	54,078,050	-	-	-	-	88,264,376	142,342,426
Financial assets and investments with risks on policyholders	513,609,225	102,606,697	242,201,381	173,904,037	1,423,754,509	226,481,644	2,682,557,493
Receivables from main operations	436,074	1,003,583	1,700,637	-	-	4,344,007,866	4,347,148,160
Due from related parties	-	1,096,350	-	-	-	-	1,096,350
Other receivables	1,166,746	-	-	-	-	724,958	1,891,704
Prepaid expenses and income accruals, short term	-	-	-	-	-	12,601,372	12,601,372
Other current assets	-	-	-	-	-	23,230	23,230
Financial assets (Associates)	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	21,311,444	21,311,444
Intangible assets	-	-	-	-	-	4,297,953	4,297,953
Prepaid expenses and income accruals, long term	-	-	-	-	-	58,142	58,142
Deferred tax assets	-	-	-	-	-	-	-
Total assets	569,290,095	104,706,630	243,902,018	173,904,037	1,423,754,509	4,706,533,178	7,222,090,467
Liabilities:							
Payables arising from main operations	9,105,720	-	636,822	-	-	4,361,441,693	4,371,184,235
Due to related parties	-	-	8,172	-	-	2,260	10,432
Other liabilities	3,850,309	-	-	-	-	2,619,075	6,469,384
Insurance technical provisions	-	-	-	-	-	2,288,110,880	2,288,110,880
Provisions for taxes and other similar obligations	4,139,335	-	-	-	-	7,173,965	11,313,300
Deferred income and expense accruals	-	-	-	-	-	1,793,541	1,793,541
Other short term liabilities	-	-	-	-	-	61	61
Provisions for other risks	500,000	-	-	-	7,408,414	5,859,758	13,768,172
Deferred tax liabilities	-	-	-	-	-	4,760,670	4,760,670
Shareholders' equity	-	-	-	-	-	524,679,792	524,679,792
Total liabilities and equity	17,595,364	-	644,994	-	7,408,414	7,196,441,695	7,222,090,467
Net position	551,694,731	104,706,630	243,257,024	173,904,037	1,416,346,095	(2,489,908,517)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments (continued)

31 December 2011	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<i>Assets:</i>							
Cash and cash equivalents	33,453,543	14,707,624	-	-	-	71,627,758	119,788,925
Financial assets and investments with risks on policyholders	496,889,994	169,761,559	147,941,677	248,063,521	1,151,439,924	170,382,374	2,384,479,049
Receivables from main operations	385,162	1,004,276	1,479,964	-	-	3,086,891,474	3,089,760,876
Due from related parties	-	-	232,068	-	-	-	232,068
Other receivables	6,940,044	-	-	-	-	722,766	7,662,810
Prepaid expenses and income accruals, short term	-	-	-	-	-	7,931,676	7,931,676
Other current assets	-	-	-	-	-	889,196	889,196
Financial assets (Associates)	-	-	-	-	-	8,762,193	8,762,193
Tangible assets	-	-	-	-	-	20,902,936	20,902,936
Intangible assets	-	-	-	-	-	2,732,892	2,732,892
Prepaid expenses and income accruals, long term	-	-	-	-	-	50,699	50,699
Deferred tax assets	-	-	-	-	-	4,541,053	4,541,053
Total assets	537,668,743	185,473,459	149,653,709	248,063,521	1,151,439,924	3,375,435,017	5,647,734,373
<i>Liabilities:</i>							
Payables arising from main operations	2,331,503	1,837,528	686,569	-	-	3,093,578,554	3,098,434,154
Due to related parties	-	-	903	-	-	1,990	2,893
Other liabilities	5,899,637	-	-	-	-	1,660,852	7,560,489
Insurance technical provisions	-	-	-	-	-	2,092,926,088	2,092,926,088
Provisions for taxes and other similar obligations	7,379,138	-	-	-	-	2,527,154	9,906,292
Provisions for other risks	525,000	-	-	-	4,828,646	1,813,763	7,167,409
Deferred income and expense accruals	-	-	-	-	-	1,574,906	1,574,906
Other short term liabilities	-	-	-	-	-	59	59
Shareholders' equity	-	-	-	-	-	430,162,083	430,162,083
Total liabilities and equity	16,135,278	1,837,528	687,472	-	4,828,646	5,624,245,449	5,647,734,373
Net position	521,533,465	183,635,931	148,966,237	248,063,521	1,146,611,278	(2,248,810,432)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments (continued)

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2012 and 2011 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2012 and 2011. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2012 and 2011 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

31 December 2012	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(6,165,010)	6,477,278	(28,088,476)	35,978,405
Total, net	(6,165,010)	6,477,278	(28,088,476)	35,978,405
31 December 2011	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(4,677,402)	4,935,000	(21,169,450)	27,704,187
Total, net	(4,677,402)	4,935,000	(21,169,450)	27,704,187

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as whether held for trading purpose or available for sale. As at reporting period, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Classification relevant to fair value information

IFRS 7 – *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If classification is available for usage, it necessitates the utilization of observable market data.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	31 December 2012			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets held for trading	42.316.499	-	-	42.316.499
Available for sale financial assets (*)	475.524.095	8.335.117	-	483.859.212
Loans and receivables	14,091,345	-	-	14,091,345
Financial investments with risks on policyholders classified as available for sale	2,117,707,466	-	-	2,117,707,466
Receivables from individual pension business	4,277,830,443	-	-	4,277,830,443
Total financial assets	6,927,469,848	8,335,117	-	6,935,804,965
Financial liabilities:				
Investment contract liabilities – life mathematical provision for saving life policies	2,205,674,373	-	-	2,205,674,373
Payables arising from individual pension business (**)	4,277,830,443	-	-	4,277,830,443
Total financial liabilities	6,483,504,816	-	-	6,483,504,816

(*) As at 31 December 2012, securities that are not publicly traded amounting to TRY 34,882,753 have been measured at cost and are excluded from the table.

(**) Includes investments directed individual pension funds.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

	31 December 2011			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets held for trading	53,243,910	-	-	53,243,910
Available for sale financial assets (*)	347,901,805	-	-	347,901,805
Loans and receivables	299,752			299,752
Financial investments with risks on policyholders classified as available for sale	1,961,449,072	-	-	1,961,449,072
Receivables from individual pension business	3,030,069,969	-	-	3,030,069,969
Total financial assets	5,392,964,508	-	-	5,392,964,508
Financial liabilities:				
Investment contract liabilities – life mathematical provision for saving life policies	2,027,283,249	-	-	2,027,283,249
Payables arising from individual pension business (**)	3,030,069,969	-	-	3,030,069,969
Total financial liabilities	5,057,353,218	-	-	5,057,353,218

(*) As at 31 December 2011, securities that are not publicly traded amounting to TRY 21,584,510 have been measured at cost and are excluded from the table.

(**) Includes investments directed individual pension funds.

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2012 and 2011.

	Change in index	31 December 2012	31 December 2011
Market price of equity	10%	9,320,633	6,118,104

The effect of changes in fair values of the financial assets held for trading on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2012 and 2011.

	Change in index	31 December 2012	31 December 2011
Market price of equity	10%	205,477	383,648

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for 31 December 2012 is summarized below. As at 31 December 2012, the capital adequacy of the Company is TRY 121,262,627 and TRY 92,039,967; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at 31 December 2012. The Company's capital calculated based on the regulation as at 31 December 2012 TRY 524,679,792. Consequently, the Company's capital is adequate.

Capital Adequacy Table		
	31 December 2012	31 December 2011
Required capital for non-life branches	196,369	186,997
Required capital for life branch	108,496,682	106,373,431
Required capital for pension branch	12,569,576	9,450,175
Required capital based on the first method	121,262,627	116,010,603
Required capital for asset risk	59,220,929	42,499,418
Required capital for reinsurance risk	2,638,414	2,531,662
Required capital for excessive premium increase	2,848,020	96,239
Required capital for outstanding claims risk	1,393,290	1,240,373
Required capital for underwriting risk	17,809,304	16,892,523
Required capital for interest rate and currency risk	8,130,010	2,527,473
Required capital based on the second method	92,039,967	65,787,688
Required capital	121,262,627	116,010,603
Current capital (*)	524,679,792	430,162,083
Excessive capital	403,417,165	314,151,480

(*) Equalization provision is not included in the current capital.

5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular “Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts” issued by the Undersecretariat of Treasury on 4 January 2008 and Circular “Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts” issued by the Undersecretariat of Treasury on 9 August 2010.

31 December 2012	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
Technical income	502,677,829	139,026,057	681,276	642,385,162
Technical expense	(469,262,040)	(119,530,396)	(663,540)	(589,455,976)
Total of other income and expense	26,468,063	26,092,017	186,220	52,746,300
Income before tax	59,883,852	45,587,678	203,956	105,675,486
Income tax expense	-	-	-	(26,100,000)
Net profit for the period	59,883,852	45,587,678	203,956	79,575,486

31 December 2012	Life	Individual Pension	Personal Accident	Total
Segment assets	2,555,929,807	4,648,178,044	17,982,616	7,222,090,467
Total assets	2,555,929,807	4,648,178,044	17,982,616	7,222,090,467
Segment liabilities	(2,560,541,778)	(4,643,538,704)	(18,009,985)	(7,222,090,467)
Total liabilities	(2,560,541,778)	(4,643,538,704)	(18,009,985)	(7,222,090,467)

Other segment information				
Depreciation and amortization	(1,909,282)	(1,882,155)	(13,433)	(3,804,870)

31 December 2011	Life	Individual Pension	Personal Accident	Total
<i>Continuing operations:</i>				
Technical income	563,171,487	113,849,562	324,579	677,345,628
Technical expense	(528,724,711)	(113,844,799)	(331,636)	(642,901,146)
Total of other income and expense	21,814,838	21,689,094	136,096	43,640,028
Income before tax	56,261,614	21,693,857	129,039	78,084,510
Income tax expense	-	-	-	(13,415,000)
Net profit for the period	56,261,614	21,693,857	129,039	64,669,510

31 December 2011	Life	Individual Pension	Personal Accident	Total
Segment assets	2,303,523,363	3,329,842,463	14,368,547	5,647,734,373
Total assets	2,303,523,363	3,329,842,463	14,368,547	5,647,734,373
Segment liabilities	(2,311,736,173)	(3,321,563,897)	(14,434,303)	(5,647,734,373)
Total liabilities	(2,311,736,173)	(3,321,563,897)	(14,434,303)	(5,647,734,373)

Other segment information				
Depreciation and amortization	(1,699,962)	(1,690,163)	(10,606)	(3,400,731)

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Land (*)	1,832,831			1,832,831
Buildings (*)	25,379,158			25,379,158
Machinery and equipment	4,212,702	1,528,873	(18,633)	5,722,942
Vehicles	797,979		(224,504)	573,475
Furniture and fixtures (includes leased assets)	3,723,903	297,573	(96,807)	3,924,669
Leasehold improvements	2,229,627	455,755		2,685,382
	38,176,200	2,282,201	(339,944)	40,118,457
Accumulated depreciation:				
Buildings (*)	(9,922,184)	(508,688)		(10,430,872)
Machinery and equipment	(2,642,412)	(696,092)	11,549	(3,326,955)
Vehicles	(546,574)	(87,506)	191,605	(442,475)
Furniture and fixtures (includes leased assets)	(2,759,383)	(280,979)	87,046	(2,953,316)
Leasehold improvements	(1,402,711)	(250,684)		(1,653,395)
	(17,273,264)	(1,823,949)	290,200	(18,807,013)
Carrying amounts	20,902,936			21,311,444

(*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 14,260,981 are investment properties and given in Note 7 – *Investment properties* in detail. Total impairment losses on own use land amounted to TRY 417,070.

Movement in tangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
Cost:				
Land (*)	1,832,831			1,832,831
Buildings (*)	25,379,158			25,379,158
Machinery and equipment	3,868,855	753,469	(409,622)	4,212,702
Vehicles	797,979			797,979
Furniture and fixtures (includes leased assets)	3,593,781	265,233	(135,111)	3,723,903
Leasehold improvements	2,023,864	296,761	(90,998)	2,229,627
	37,496,468	1,315,463	(635,731)	38,176,200
Accumulated depreciation:				
Buildings (*)	(9,413,496)	(508,688)		(9,922,184)
Machinery and equipment	(2,452,743)	(598,660)	408,991	(2,642,412)
Vehicles	(430,869)	(115,705)		(546,574)
Furniture and fixtures (includes leased assets)	(2,538,895)	(333,707)	113,219	(2,759,383)
Leasehold improvements	(1,244,738)	(248,972)	90,999	(1,402,711)
	(16,080,741)	(1,805,732)	613,209	(17,273,264)
Carrying amounts	21,415,727			20,902,936

(*) Land with a carrying amount of TRY 1,411,831 and buildings with a carrying amount of TRY 14,750,206 are investment properties and given in Note 7 - *Investment properties* in detail. Total impairment losses on own use land amounted to TRY 417,070.

There are no pledges on tangible assets.

7 Investment properties

Movement in investment properties in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Disposals	31 December 2012
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	25,873,087	-	-	25,873,087
<i>Accumulated depreciation:</i>				
Buildings	(9,711,050)	(489,225)	-	(10,200,275)
	(9,711,050)	(489,225)	-	(10,200,275)
Carrying amounts	16,162,037			15,672,812

For the year ended 31 December 2012, the Company has rental income from investment properties amounting TRY 3,059,325 (31 December 2011: TRY 2,590,872).

Movement in investment properties in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Land	1,411,831	-	-	1,411,831
Buildings	24,461,256	-	-	24,461,256
	25,873,087	-	-	25,873,087
<i>Accumulated depreciation:</i>				
Buildings	(9,221,825)	(489,225)	-	(9,711,050)
	(9,221,825)	(489,225)	-	(9,711,050)
Carrying amounts	16,651,262			16,162,037

As at 31 December 2011, total fair value of the Company's investment properties amounting to TRY 53,523,000. Expert reports on these properties have been prepared by the authorized real estate valuation companies at January and February of 2010. There are no pledges on these properties.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Disposals	31 December 2012
<i>Cost:</i>				
Rights	8,299,662	3,545,982	-	11,845,644
	8,299,662	3,545,982	-	11,845,644
<i>Accumulated amortization:</i>				
Rights	(5,566,770)	(1,980,921)	-	(7,547,691)
	(5,566,770)	(1,980,921)	-	(7,547,691)
Carrying amounts	2,732,892			4,297,953

Movements in intangible assets in the period from 1 January to 31 December 2011 is presented below:

	1 January 2011	Additions	Disposals	31 December 2011
<i>Cost:</i>				
Rights	6,354,781	1,944,881	-	8,299,662
	6,354,781	1,944,881	-	8,299,662
<i>Accumulated amortization:</i>				
Rights	(3,971,771)	(1,594,999)	-	(5,566,770)
	(3,971,771)	(1,594,999)	-	(5,566,770)
Carrying amounts	2,383,010			2,732,892

9 Investments in associates

	31 December 2012		31 December 2011	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	8,762,193	20.0%	8,762,193	20.0%
Investments in associates, net	8,762,193		8,762,193	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	69,889,478	67,840,028	8,678,698	9,578,132	Audited	31 December 2012

The Company has TRY 539,038 of dividend income from associates.

10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2012	31 December 2011
Reserve for unearned premiums, ceded (Note 17.15)	1,662,615	1,557,276
Provision for outstanding claims, ceded (Note 17.15)	605,350	990,491
Life mathematical reserve, ceded (Note 17.15)	5,468,417	5,255,492
Provision for bonus and discount, ceded (Not 17.15)	272,071	-
Due from reinsurers	242,024	-
Total	8,250,477	7,803,259

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2012	31 December 2011
Cash deposited by insurance and reinsurance companies (Note 19)	636,822	686,569
Current account of reinsurance companies	-	1,837,528
Total	636,822	2,524,097

Gains and losses recognized in the statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2012	31 December 2011
Life branch:		
Premiums ceded during the period	(11,460,129)	(10,395,167)
Change in unearned premiums reserve, ceded	131,841	212,820
Commissions received from reinsurers (*)	2,760,812	1,666,551
Reinsurers share of claims paid	3,393,572	1,635,751
Change in outstanding claims, ceded	(353,629)	363,919
Change in bonus and discount provision, ceded	272,071	-
Change in life mathematical reserve, ceded	212,924	1,960,508
	(5,042,538)	(4,555,618)
Non-life branch:		
Premiums ceded during the period	(322,163)	(190,521)
Change in unearned premiums reserve, ceded	(26,502)	53,692
Commissions received from reinsurers (*)	60,894	59,795
Reinsurers share of claims paid	45,319	-
Change in outstanding claims, ceded	(30,677)	37,101
	(273,129)	(39,933)
Total, net	(5,315,667)	(4,595,551)

(*) Deferred commissions are excluded from commissions received from reinsurers.

11 Financial assets

As at 31 December 2012 and 2011, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2012	31 December 2011
Available for sale financial assets, Company's own portfolio	518,741,965	379,786,097
Financial assets held for trading purpose	42,316,499	53,243,910
Loans and receivables	14,091,345	299,752
Financial investments with risks on saving life policyholders classified as available for sale	2,117,707,466	1,961,449,072
Impairment loss on financial assets	(10,299,782)	(10,299,782)
Total	2,682,557,493	2,384,479,049

As at 31 December 2012 and 2011, the Company's financial assets held for trading are detailed as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	1,265,614	2,054,767	2,054,767	2,054,767
Investment funds and Turkish derivatives exchange contracts	30,259,023	40,261,732	40,261,732	40,261,732
Total financial assets held for trading purpose – other	31,524,637	42,316,499	42,316,499	42,316,499
Total financial assets held for trading purpose	31,524,637	42,316,499	42,316,499	42,316,499

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds	4,090,199	4,073,864	4,121,364	4,121,364
Government bonds and treasury bills	6,500,000	6,170,899	6,258,273	6,258,273
Total financial assets held for trading purpose – debt instruments	10,590,199	10,244,763	10,379,637	10,379,637
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	3,787,332	3,836,479	3,836,479	3,836,479
Investment funds and Turkish derivatives exchange contracts	36,801,538	39,027,794	39,027,794	39,027,794
Total financial assets held for trading purpose – other	40,588,870	42,864,273	42,864,273	42,864,273
Total financial assets held for trading purpose	50,833,633	53,243,910	53,243,910	53,243,910

11 Financial assets (continued)

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Investment funds	501,187,090	30,259,023	40,261,732	40,261,732
Total	501,187,090	30,259,023	40,261,732	40,261,732

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	341,673,886	37,096,298	38,631,989	38,631,989
Private sector bonds	772,000	743,523	747,622	747,622
Equity shares	25,000	91,930	60,500	60,500
Total	37,931,751	39,440,111	39,440,111	39,440,111

As at 31 December 2012 and 2011, the Company's loans and receivables are detailed as follows:

	31 December 2012		
	Cost	Fair value	Carrying value
Reverse repo	14,089,404	14,091,345	14,091,345
Receivables from reverse repo	14,089,404	14,091,345	14,091,345

	31 December 2011		
	Cost	Fair value	Carrying value
Reverse repo	299,590	299,752	299,752
Receivables from reverse repo	299,590	299,752	299,752

11 Financial assets (continued)

As at 31 December 2012 and 2011, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds	29,492,970	25,758,616	26,512,627	26,512,627
Government bonds	349,474,472	333,670,209	364,140,259	364,140,259
Total available for sale financial assets – debt instruments	378,967,442	359,428,825	390,652,886	390,652,886
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		100,871,811	128,089,079	128,089,079
Total available for sale financial assets – other		100,871,811	128,089,079	128,089,079
Total available for sale financial assets		460,300,636	518,741,965	518,741,965
Impairment loss on available for sale equity shares		(10,299,782)	(10,299,782)	(10,299,782)
Net available for sale financial assets		450,000,854	508,442,183	508,442,183

(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	298,604,011	283,916,309	286,720,766	286,720,766
Total available for sale financial assets – debt instruments	298,604,011	283,916,309	286,720,766	286,720,766
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares (*)		95,095,189	93,065,331	93,065,331
Total available for sale financial assets – other		95,095,189	93,065,331	93,065,331
Total available for sale financial assets		379,011,498	379,786,097	379,786,097
Impairment loss on available for sale equity shares		(10,299,782)	(10,299,782)	(10,299,782)
Net available for sale financial assets		368,711,716	369,486,315	369,486,315

(*) Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

11 Financial assets (continued)

The Company has equity shares and bonds issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TRY 99,643,344 and TRY 4,799,359 a carrying value of TRY 125,103,318 and TRY 4,992,600 as at 31 December 2012 (31 December 2011: Equity shares with a cost amount of TRY 93,866,723 and a carrying amount of TRY 80,301,230; Bonds: None).

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2012 and 2011 are detailed as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds – TRY	1,413,003,589	1,464,050,779	1,646,165,027	1,646,165,027
Eurobonds issued by the Turkish Government	154,991,000	300,765,080	405,166,591	405,166,591
Investment funds	55,151,200	51,500,165	66,375,848	66,375,848
Total available for sale financial assets – debt instruments	1,623,145,789	1,816,316,024	2,117,707,466	2,117,707,466
Financial investments with risks on saving life policyholders		1,816,316,024	2,117,707,466	2,117,707,466

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Government bonds – TRY	1,490,055,416	1,525,765,157	1,564,384,437	1,564,384,437
Eurobonds issued by the Turkish Government	155,357,000	242,385,282	352,312,083	352,312,083
Investment Funds	55,151,200	51,500,165	44,752,552	44,752,552
Total available for sale financial assets – debt instruments		1,819,650,604	1,961,449,072	1,961,449,072
Financial investments with risks on saving life policyholders		1,819,650,604	1,961,449,072	1,961,449,072

The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Investment funds	55,151,200	51,500,165	66,375,848	66,375,848
Total	55,151,200	51,500,165	66,375,848	66,375,848

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Investment funds	55,151,200	51,500,165	44,752,552	44,752,552
Total	55,151,200	51,500,165	44,752,552	44,752,552

11 Financial assets (continued)

The Company has no securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three periods:

	31 December 2012	31 December 2011	31 December 2010
Current financial assets:			
Available for sale financial assets, Company's own portfolio	58,441,329	774,599	48,584,938
Financial assets held for trading purpose	10,791,862	2,410,277	9,291,713
Loans and receivables	1,941	162	52
Financial investments with risks on saving life policyholders classified as available for sale	301,391,442	141,798,468	219,723,367
Total	370,626,574	144,983,506	277,600,070

Value increases reflect the difference between the carrying value and cost of the financial assets.

The Company has TRY 10,299,782 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market.

The Company does not apply hedge accounting.

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

Financial assets blocked in favor of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – debt securities	1,623,145,789	1,816,316,024	2,117,707,466	2,117,707,466
Available for sale financial assets	135,522,223	137,669,477	150,802,627	150,802,627
Total	1,953,985,501	2,268,510,093	2,268,510,093	2,268,510,093

	31 December 2011			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – debt securities	1,700,563,616	1,819,650,604	1,961,449,072	1,961,449,072
Available for sale financial assets	166,972,223	164,366,682	163,426,966	163,426,966
Total	1,984,017,286	2,124,876,038	2,124,876,038	2,124,876,038

12 Loans and receivables

	31 December 2012	31 December 2011
Receivables from insurance operations	8,959,668	7,157,908
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	51,779,559	52,535,573
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	4,286,411,507	3,030,069,969
<i>Net fund value of participants</i>	4,277,830,443	3,028,067,569
<i>Other</i>	8,581,064	2,002,400
Total receivables from main operations	4,347,148,160	3,089,760,876
Receivables from personnel	1,096,350	232,068
Other receivables	1,891,704	7,662,810
Total	4,350,136,214	3,097,655,754

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

	31 December 2012	31 December 2011
Guarantees and commitments	4,075,128	2,966,437
Letters of guarantees	1,140,697	1,112,497
Real estate pledges	1,016,400	1,116,900
Total	6,232,225	5,195,834

	31 December 2012	31 December 2011
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	117,996
Collections	-	-
Charge for the period	-	-
Provisions for doubtful receivables from main operations and insurance operations at the end of the period	117,996	117,996

Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2011: TRY 117,996).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2011: TRY 2,574).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – *Related party transactions*.

13 Derivative financial instruments

As at 31 December 2012, the detailed information about the Company's current derivative financial instruments is presented in 11 – *Financial assets*. At the reporting period, Company has no derivative financial instruments.

14 Cash and cash equivalents

As at 31 December 2012 and 2011, cash and cash equivalents are as follows:

	31 December 2012		31 December 2011	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	14,155	12,206	12,206	17,198
Bank deposits	59,951,461	52,803,532	52,803,532	76,694,447
Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months ^(*)	82,540,020	67,036,981	67,036,981	52,404,769
Cheques given and payment orders	(163,210)	(63,794)	(63,794)	(47,274)
Cash and cash equivalents in the balance sheet	142,342,426	119,788,925	119,788,925	129,069,140
Interest accruals on bank deposits	(282,203)	(323,655)	(323,655)	(517,604)
Time deposits with maturities longer than 3 months	-	-	-	-
Cash and cash equivalents presented in the statement of cash flow	142,060,223	119,465,270	119,465,270	128,551,536

^(*) Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months include credit card receivables from banks in relation to premium payments of policyholders.

As at 31 December 2012 and 2011, bank deposits are further analyzed as follows:

	31 December 2012	31 December 2011
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	2,543,732	523,616
Bank deposits in Turkish Lira		
- time deposits	54,078,050	48,161,167
- demand deposits	3,329,679	4,118,749
Cash at banks	59,951,461	52,803,532

As at 31 December 2012, TRY time deposits have a maximum maturity of 1 month and their simple interest rates vary between 6.84% and 8.00%. The Company has no foreign currency denominated bank deposits.

As at 31 December 2011, TRY time deposits have a maximum maturity of 2 months and their simple interest rates vary between 7.00% and 12.25%. The Company has no foreign currency denominated bank deposits.

15 Equity

Paid in capital

As at 31 December 2012, the authorized nominal share capital of the Company is TRY 300,000,000 and the share capital of the Company consists of 30,000,000,000 issued shares with TRY 0.01 nominal value each.

The Company's share capital is divided into group A and group B shares. Group A share is represented by 100,000,000 of equity shares having a nominal amount of TRY 0.01 each. Group B share is represented by 29,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2012, the Company's registered capital is TRY 450,000,000.

As at 31 December 2012, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movement of legal reserves is as follows:

	31 December 2012	31 December 2011
Legal reserves at the beginning of the period	59,640,083	53,156,391
Transfer from profit	5,876,594	6,483,692
Legal reserves at the end of the period	65,516,677	59,640,083

Extraordinary reserves

The movement of extraordinary reserves is presented below:

	31 December 2012	31 December 2011
Extraordinary reserves at the beginning of the period	1,219,776	13,367,976
Transfer from profit	10,985,560	17,851,800
Capital increase	-	(30,000,000)
Extraordinary reserves at the end of the period	12,205,336	1,219,776

15 Equity (continued)

Statutory reserves

The movement of statutory reserves is presented below:

	31 December 2012	31 December 2011
Statutory reserves at the beginning of the period	9,095,243	23,652,466
Transfer from profit	4,627,471	5,362,677
Capital increase	-	(19,919,900)
Statutory reserves at the end of the period	13,722,714	9,095,243

Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	31 December 2012	31 December 2011
Fair value reserves at the beginning of the period	(9,601,394)	33,893,427
<i>Changes during the period:</i>		
The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets with risks on saving life policyholders	(69,361)	486,463
Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders	230,582,919	(110,113,410)
Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion	(219,053,773)	104,607,740
Change in unrealized gains and losses from available for sale financial assets, company's own portfolio	54,407,569	(23,623,912)
Deferred and corporate tax effect	(7,550,933)	3,660,330
<i>Disposals during the period:</i>		
Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders	(368,680)	(3,892,649)
Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion	350,246	3,698,017
Unrealized gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio	4,276,718	(1,249,643)
Deferred and corporate tax effect	(851,657)	288,855
<i>Amounts transferred to income statement due to bonus shares:</i>	(5,349,649)	(17,356,612)
/Fair value reserves at the end of the period	46,772,005	(9,601,394)

16 Other reserves and equity component of DPF

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	31 December 2012	31 December 2011
Temporary differences arising from revaluation of financial assets	32,267,327	(12,001,742)
Permanent differences arising from revaluation of financial assets	20,958,144	-
Deferred tax effect	(6,453,466)	2,400,348
Total	46,772,005	(9,601,394)

17 Insurance contract liabilities and reinsurance assets

17.1 Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets:

	31 December 2012		31 December 2011	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
<i>Life:</i>				
Financial assets (*)	1,917,972,126	2,214,166,541	1,966,664,506	2,099,689,594
Total	1,917,972,126	2,214,166,541	1,966,664,506	2,099,689,594
<i>Non-life:</i>				
Financial assets (*)	591,383	1,718,017	469,063	1,525,086
Total	591,383	1,718,017	469,063	1,525,086
Total	1,918,563,509	2,215,884,558	1,967,133,569	2,101,214,680

(*) As at 31 December 2012 and 2011, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

(**) According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. As at 31 December 2012 (31 December 2011), minimum guarantee amount of 30 June 2012 is shown as necessary guarantee amount; since, minimum guarantee amount as at 30 June 2012 (30 June 2011) is based on 30 June calculations.

As at 31 December 2012, TRY 1,841,176,020 of government bonds (31 December 2011: TRY 1,730,347,190) and TRY 308,332,690 of Eurobonds (31 December 2011: TRY 326,114,938) and TRY 66,375,848 (31 December 2011: TRY 44,752,552) of investment funds are placed as guarantee for the life and non-life branches.

17 Insurance contract liabilities and reinsurance assets (continued)

17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	31 December 2012 (*)		31 December 2011 (*)	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,343,918	298,965,577	1,179,924	385,048,204
Disposals during the period	(1,047,267)	(358,289,334)	(944,360)	(336,893,828)
Outstanding	1,618,520	1,966,089,802	1,321,869	2,025,413,559

(*) The above table includes 95 of reactivated life insurance policies (31 December 2011: 83) and their corresponding mathematical reserves.

As explained in Note 2 - *Financial Assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortized cost difference amounting to TRY 245,052,988 (31 December 2011: TRY 7,125,182) is recognized under the life mathematical provisions. As at the reporting date, there is no future withholding tax levied to income obtained from financial investments which are classified under the Company's assets recognized under the life mathematical provisions (31 December 2011: None). These balances are not included in the above table.

TRY 5,468,417 (31 December 2011: TRY 5,255,492) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

17.3 Guarantees given to non-life insurances based on branches:

	31 December 2012	31 December 2011
Guarantees given to death by accident	1,388,855,772	1,227,901,834
Guarantees given to disability by accident	1,390,190,772	1,226,711,834
Total	2,779,046,544	2,454,613,668

17 Insurance contract liabilities and reinsurance assets (continued)

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

As at 31 December 2012 and 2011, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2012 Unit price	31 December 2011 Unit price
AH1 Bond Fund	0.042710	0.037933
AH2 Liquid Fund	0.028745	0.026995
AH3 Eurobond Dollar Fund	0.026961	0.023960
AH4 Eurobond Euro Fund	0.023889	0.021590
AH5 Equity Fund	0.074480	0.048259
AH6 International Mixed Fund	0.019754	0.018946
AH8 Conservative Fund	0.033813	0.031183
AH9 Balanced Fund	0.045663	0.036654
AH0 Aggressive Fund	0.064976	0.048337
AGE Alternative Gain Fund	0.011646	0.009862
ABE BRIC Plus Fund	0.010674	0.009917
AHL Dynamic Flexible Fund (*)	0.011856	0.009857
AHC Mixed Fund (TRY) (*)	0.011227	0.010167
AG1 Group Bond Fund	0.038902	0.033976
AG2 Group Eurobond Fund	0.020035	0.018034
AG3 Group Equity Fund	0.047584	0.030131
AG4 Group Conservative Fund	0.032217	0.029244
HS1 Bond - Bill Fund	0.026523	0.023566
AHB White Equity Fund	0.028644	0.018158
ATK Orange Bond - Bill Fund	0.020235	0.017953
ATE Orange Balanced Fund	0.021922	0.016725

(*) Initial public offering of AHC Mixed Fund (TRY) and AHL Dynamic Flexible Fund have been executed at 27 April 2012 and 30 April 2012, respectively.

17 Insurance contract liabilities and reinsurance assets (continued)

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

Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2012 and 2011:

	31 December 2012		31 December 2011	
	Participation Certificates in Circulation		Participation Certificates in Circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	34,044,230,542.89	1,454,029,086.49	29,778,886,837.42	1,129,602,514.40
AH2 Liquid Fund	4,028,128,998.44	115,788,568.06	3,369,680,287.92	90,964,519.37
AH3 Eurobond Dollar Fund	4,156,360,776.66	112,059,642.90	3,721,243,863.36	89,161,002.97
AH4 Eurobond Euro Fund	3,434,167,896.02	82,038,836.87	3,276,092,065.55	70,730,827.70
AH5 Equity Fund	2,686,126,576.72	200,062,707.43	2,414,766,751.93	116,534,228.68
AH6 International Mixed Fund	573,914,153.51	11,337,100.19	610,260,139.55	11,561,988.60
AH8 Conservative Fund	3,109,262,703.31	105,133,499.79	2,629,563,148.86	81,997,667.67
AH9 Balanced Fund	20,479,238,309.32	935,143,458.92	17,731,117,922.47	649,916,396.33
AH0 Aggressive Fund	7,593,578,573.45	493,400,361.39	6,779,621,857.29	327,706,581.72
AGE Alternative Gain Fund	3,287,291,074.08	38,283,791.85	1,741,826,776.49	17,177,895.67
ABE BRIC Plus Fund	2,819,064,006.50	30,090,689.21	2,641,331,429.27	26,194,083.78
AHL Dynamic Flexible Fund (*)	836,806,404.80	9,921,176.74	100,000,000.00	985,700.00
AHC Mixed Fund (TRY) (*)	564,956,145.74	6,342,762.65	100,000,000.00	1,016,700.00
AG1 Group Bond Fund	5,967,101,621.38	232,132,187.27	2,458,454,112.41	83,528,436.92
AG2 Group Eurobond Fund	337,897,019.12	6,769,766.78	265,177,490.77	4,782,210.87
AG3 Group Equity Fund	587,998,732.06	27,979,331.67	577,287,261.24	17,394,242.47
AG4 Group Conservative Fund	2,327,553,802.12	74,986,800.84	1,661,573,450.51	48,591,053.99
HS1 Bond - Bill Fund	10,089,694,555.13	267,608,968.69	8,941,704,710.90	210,720,213.22
AHB White Equity Fund	1,474,177,699.61	42,226,346.03	1,271,259,195.45	23,083,524.47
ATK Orange Bond - Bill Fund	973,520,735.30	19,699,192.08	1,015,253,343.56	18,226,843.28
ATE Orange Balanced Fund	583,713,510.49	12,796,167.58	609,467,063.59	10,193,336.64
Total		4,277,830,443.43		3,030,069,968.75

(*) Initial public offering of AHC Mixed Fund (TRY) and AHL Dynamic Flexible Fund have been executed at 27 April 2012 and 30 April 2012, respectively.

17 Insurance contract liabilities and reinsurance assets (continued)

17.6 Portfolio amounts in terms of number of new participants left or cancelled existing participants for individuals and groups:

31 December 2012				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	114,708	64,759	543,632	3,215,797,259
Group	29,324	19,244	157,086	1,062,013,086
Total	144,032	84,003	700,718	4,277,810,345

31 December 2011				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	121,926	58,099	496,524	2,366,160,479
Group	34,518	13,389	144,165	661,889,512
Total	156,444	71,488	640,689	3,028,049,991

Additions: The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period. For the data calculated for 31 December 2012, portfolio amount and insurance contract numbers related with contribution amounts collected before the exercise date are not taken into consideration. In addition, the amounts related with credit card collections with undue blockage terms are not added to the calculation.

Left/cancellations: The number of finalized contracts during the period and their values at their expiration dates.

Outstanding: The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-end.

17.7 Valuation methods used in profit share calculation for saving life contracts with profit sharing:

Financial investments with risks on saving life policyholders are classified as “available-for-sale financial assets”. These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

17 Insurance contract liabilities and reinsurance assets (continued)

17.8 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups:

	1 January - 31 December 2012			1 January - 31 December 2011		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	114,708	227,156,127	222,408,785	121,926	230,846,436	226,035,513
Group	29,324	41,292,795	41,024,760	34,518	47,544,588	47,179,656
Total	144,032	268,448,922	263,433,545	156,444	278,391,024	273,215,169

Contracts become effective in the current period and the total contracts become effective and ceased in the same period and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current period numbers and balances.

17.9 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period:

	31 December 2012			31 December 2011		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	1,909	23,460,763	23,460,763	4,033	41,296,381	41,296,381
Group	1,324	5,683,833	5,683,833	1,091	19,915,297	19,915,297
Total	3,233	29,144,596	29,144,596	5,124	61,211,678	61,211,678

1,081 contracts that amounted TRY 127,269,594 are transferred to Company from foundations and funds.

17.10 Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the period:

The legal permission of the transfer from life portfolio to private pension portfolio expired on 7 October 2006 and therefore, there is no transfer in the current and prior period.

17 Insurance contract liabilities and reinsurance assets (continued)

17.11 Distribution of individual and group participants which were transferred to other insurance companies in terms of their numbers and gross and net contributions:

	1 January - 31 December 2012			1 January - 31 December 2011		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	64,759	409,585,946	370,510,795	58,099	274,093,655	230,475,599
Group	19,244	101,825,247	92,434,269	13,389	52,180,674	43,765,841
Total	84,003	511,411,193	462,945,064	71,488	326,274,329	274,241,440

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal, i.e.; disposal amount.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the period:

	31 December 2012		31 December 2011	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	17,185	81,871,623	24,101	123,654,547
Group	1,326,638	149,189,900	1,155,740	84,620,333
Total (*)	1,343,823	231,061,523	1,179,841	208,274,880

(*) 95 of reactivated contracts are not included in the current period additions.

17 Insurance contract liabilities and reinsurance assets (continued)

17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	1 January - 31 December 2012		1 January - 31 December 2011	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	140,003	310,416,026	223,603	323,010,198
Group	907,264	47,873,308	720,757	13,883,630
Total	1,047,267	358,289,334	944,360	336,893,828

17.14 Profit share distribution rate of life insurances as of 31 December 2012 and 2011

	31 December 2012 %	31 December 2011 %
TRY		
Life insurance	10.50	8.83
Income insurance	10.50	8.82
USD		
Life insurance	7.92	7.57
Income insurance	7.92	7.57
EURO		
Life insurance	6.01	6.29
Income insurance	6.01	6.29
GBP		
Life insurance	7.75	9.73
Income insurance	7.75	9.73

17.15 Information on insurance contract balances in the financial statements

	31 December 2012	31 December 2011
Reserve for unearned premiums, gross	24,195,380	15,390,486
Reserve for unearned premiums, ceded (Note 10)	(1,662,615)	(1,557,276)
Reserves for unearned premiums, net	22,532,765	13,833,210
Provision for outstanding claims, gross	56,336,969	50,605,404
Provision for outstanding claims, ceded (Note 10)	(605,350)	(990,491)
Provision for outstanding claims, net	55,731,619	49,614,913
Life mathematical provisions, gross	2,211,142,790	2,032,538,741
Life mathematical provisions, ceded (Note 10)	(5,468,417)	(5,255,492)
Life mathematical provisions, net	2,205,674,373	2,027,283,249
Provision for bonus and discount, gross	528,684	-
Provision for bonus and discount, ceded (Not 10)	(272,071)	-
Provision for bonus and discount, net	256,613	-
Equalization provision, net	3,915,510	2,194,716
Total insurance technical provisions, net	2,288,110,880	2,092,926,088

17 Insurance contract liabilities and reinsurance assets (continued)

17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January – 31 December 2012 and 1 January – 31 December 2011 are as follows:

Mathematical provisions	31 December 2012	31 December 2011
New policies issued	59,033,558	93,593,703
Activated from reductions	7,754,761	1,051,335
Activated from cancellations	228,156	1,871,457
Contracts with increased capital	145,046,829	235,135,493
Total increase in the portfolio	212,063,304	331,651,988

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January – 31 December 2012 and 1 January – 31 December 2011 are as follows:

Mathematical provisions	31 December 2012	31 December 2011
Terminations and cancellations (-)	(142,997)	(1,828,073)
Transformed to contracts without charge (-)	21,987,028	21,582,223
Insurances had capital decrease (-)	-	-
Withdrawals (-)	(179,540,126)	(183,800,930)
Ceased with risk formed (-)	(4,824,419)	(2,828,038)
Expirations (-)	(125,908,484)	(134,553,157)
Total decrease in the portfolio	(288,428,998)	(301,427,975)

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January – 31 December 2012 and 1 January – 31 December 2011 are as follows:

Mathematical provisions	31 December 2012	31 December 2011
New contracts	31,984,921	23,371,802
Activated from reductions	48,534	20
Activated from cancellations	49,487	279,866
Insurances had capital increase	32,110,639	1,684,592
Total increase in the portfolio	64,193,581	25,336,280

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods 1 January – 31 December 2012 and 1 January – 31 December 2011 are as follows:

Mathematical provisions	31 December 2012	31 December 2011
Terminations and cancellations (-)	(874)	(256)
Transformed to contracts without charge (-)	508,740	319,637
Insurances had capital decrease (-)	-	(6,130,326)
Withdrawals (-)	(1,837,164)	(3,555,817)
Ceased with risk formed (-)	(16,456)	(91,305)
Expirations (-)	(46,018,814)	(4,105,926)
Total decrease in the portfolio	(47,364,568)	(13,563,993)

17 Insurance contract liabilities and reinsurance assets (continued)

17.17 Gain/ losses resulted from reinsurance contracts and recognized in the income statement

Gain or losses resulted from reinsurance contracts and recognized in the income statement are disclosed in note 10 - *Reinsurance assets, liabilities*.

17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

Claim year	2007	2008	2009	2010	2011	2012	Total
Claim year	6,804,746	7,621,312	6,201,960	10,858,399	8,532,107	15,285,562	55,304,086
1 year later	2,541,967	3,634,320	4,113,823	4,610,880	5,329,728	-	20,230,718
2 years later	294,871	273,370	286,233	584,897	-	-	1,439,371
3 years later	59,645	14,037	4,938	-	-	-	78,620
4 years later	38,331	28,668	-	-	-	-	66,999
5 years later	24,481	-	-	-	-	-	24,481
6 years later	-	-	-	-	-	-	-
Cumulative payments up to date	9,764,041	11,571,707	10,606,954	16,054,176	13,861,835	15,285,562	77,144,275
Payments for the year ended 31 December 2012 (*)	24,481	28,668	4,938	584,897	5,329,728	15,285,562	21,258,274

*) The claims paid includes death-disability termination and personal accident branch gross payments.

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

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4 - *Management of insurance risks*.

18 Investment contracts

None.

19 Trade and other payables and deferred income

	31 December 2012	31 December 2011
Payables from insurance operations	4,090,566	4,477,923
Cash deposited by insurance and reinsurance companies	636,822	686,569
Payables from pension activities	4,366,456,847	3,093,269,662
<i>Net fund value of participants</i>	4,277,830,443	3,028,067,569
<i>Other</i>	88,626,404	65,202,093
Total payables from main operations	4,371,184,235	3,098,434,154
Due to shareholders	8,172	903
Payables to other related parties	2,260	1,990
Total payables to related parties	10,432	2,893
Guarantees and deposits received	244,608	213,442
Other payables	6,224,776	7,347,047
Total other payables	6,469,384	7,560,489
Deferred commission income	415,872	1,511,850
Expense accruals	335,971	63,056
Other Deferred Income and Expense Accruals	1,041,698	-
Total deferred income and expense accruals	1,793,541	1,574,906
Total	4,379,457,592	3,107,572,442

20 Financial liabilities

The Company has no financial liabilities as at the reporting date (31 December 2011: None).

21 Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% tax rate is used in the calculation of deferred tax asset and liabilities.

Deferred tax (assets) / liabilities base:	31 December 2012	31 December 2011
Difference in valuation of financial assets	43,619,636	(7,693,194)
Provision for employee termination benefits	(7,408,414)	(4,828,646)
Equalization reserves / bonus and discount provision	(4,172,123)	(2,194,716)
Dividend to personnel and salary provision	(3,800,000)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,469,963)	(3,034,297)
Provision for unused vacation pay liability	(1,965,788)	(1,663,719)
Impairment loss on financial assets	-	(3,290,693)
Total	23,803,348	(22,705,265)

Deferred tax (assets) / liabilities:	31 December 2012	31 December 2011
Difference in valuation of financial assets	8,723,927	(1,538,639)
Provision for employee termination benefits	(1,481,683)	(965,729)
Equalization reserves / bonus and discount provision	(834,424)	(438,943)
Dividend to personnel and salary provision	(760,000)	-
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(493,993)	(606,859)
Provision for unused vacation pay liability	(393,157)	(332,744)
Impairment loss on financial assets	-	(658,139)
Total	4,760,670	(4,541,053)

Movement of deferred tax assets / liabilities for the year ended 31 December 2012 and 2011 are given below:

Movement of deferred tax (assets) / liabilities:	31 December 2012	31 December 2011
Opening balance at 1 January	(4,541,053)	1,414,610
Recognised in profit or loss	447,909	(275,348)
Recognised in equity	8,853,814	(5,680,315)
Closing balance at 31 December	4,760,670	(4,541,053)

22 Retirement benefit obligations

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

The termination benefit to be paid is subject to upper limit of TRY 3,033.98 as at 31 December 2012 (31 December 2011: TRY 2,731.85).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting periods have been calculated assuming an annual inflation rate of 6.0% and a discount rate of 6.35% - 7.81%, resulting in a real discount rate of between 1.00% - 4.57% (31 December 2011: 5.0%, 2.58% and 4.50%, respectively). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

Movement of provision for employee termination benefits during the period is presented below:

	31 December 2012	31 December 2011
Provision as at 1 January	4,828,646	3,566,916
Interest cost	289,719	356,692
Service cost	638,792	365,223
Payments made during the year	(1,132,288)	(854,557)
Actuarial gain and losses	2,783,545	1,394,372
Provision as at 31 December	7,408,414	4,828,646

23 Other liabilities and provisions

As at 31 December 2012 and 2011; the details of the provisions for other risks are as follows:

	31 December 2012	31 December 2011
Dividend to personnel and salary provision	3,800,000	-
Provision for unused vacation pay liability	1,965,788	1,663,719
Provision for commissions to sales personnel	500,000	525,000
Provision for litigations	93,970	93,070
Provision for commissions and expenses	-	56,974
Provisions for costs	6,359,758	2,338,763
Provision for employee termination benefits	7,408,414	4,828,646
Total provisions for other risks	13,768,172	7,167,409

24 Net insurance premium revenue

	31 December 2012	31 December 2011
Non-life	588,772	642,333
Life	355,597,310	337,208,124
Total	356,186,082	337,850,457

25 Fee revenues

The details of fee revenues for the year ended 31 December 2012 and 2011 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	31 December 2012	31 December 2011
Fund management income	88,470,973	70,109,006
Administrative cost deductions	33,953,327	29,083,449
Entrance fee	16,121,343	14,256,976
Administrative cost deductions in the form of cessation	367,261	278,560
Other technical income	113,153	104,871
Increase in value of capital allowances given	-	16,700
Total	139,026,057	113,849,562

26 Investment income

	31 December 2012	31 December 2011
Financial assets held-for-trading:		
Valuation gain / (loss)	9,585,612	(7,819,717)
Gain on sale	1,351,553	1,088,699
Interest income	182,079	621,693
Dividend income	19,549	88,809
Financial assets available- for-sale:		
Interest income	135,334,531	110,936,211
Valuation gain (internal rate of return gain)	38,766,493	131,629,420
Gain on sale	6,637,140	6,088,002
Dividend income	2,755,630	2,245,738
Income from associates:	539,038	3,627,387
Investment properties:		
Rent income	3,059,325	2,590,872
Other income: (*)	14,923,268	29,557,315
Total (**)	213,154,218	280,654,429 (**)

(*) Other income includes income from bonus shares through capital increases in associates from profit or capital reserves, interest income from time deposits, income from derivative transactions, foreign exchange gains and insurers' money not requested from the Company.

(**) TRY 63,514,117 (31 December 2011: TRY 57,222,042) of investment income obtained from the Company's own portfolio and TRY 149,640,101 (31 December 2011: TRY 223,432,387) of investment income obtained from policyholders' portfolio.

27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	31 December 2012	31 December 2011
<i>Available-for-sale financial assets:</i>		
Fair value differences recognized in equity	40,327,945	(12,376,752)
Fair value differences recognized in profit / loss	13,121,631	11,205,542
Total	53,449,576	(1,171,210)

28 Assets held at fair value through profit or loss

Net gain from assets held at fair value through profit or loss recognized in income statement as at 31 December 2012 is TRY 11,138,793 (31 December 2011: TRY 6,020,516, net loss).

29 Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in note 32 - *Operating expenses* below.

32 Operating expenses

For the year ended 31 December 2012 and 2011, the details of operating expenses are as follows:

	31 December 2012	31 December 2011
Production commission expenses	(80,054,824)	(69,528,981)
Employee benefit expenses	(52,595,033)	(42,278,476)
Administration expenses	(18,465,127)	(16,293,371)
Marketing and sales expenses	(13,520,385)	(15,251,450)
Rent expenses	(5,906,613)	(5,561,687)
Outsourced benefits and services	(3,598,516)	(2,168,935)
Bank fees	(2,490,347)	(2,105,327)
Reinsurance commission income	2,808,701	1,580,145
Other expenses	(1,568,131)	(1,664,911)
Total	(175,390,275)	(153,272,993)

(*) In accordance with the Sector Announcement dated 27 December 2012 and dated 2011/14 published by the Turkish Treasury, commissions paid to direct sales personnel are recorded as "Production Commission Expenses" rather than "Employee Benefit Expenses". The related amount is TRY 7,251,164 for January-December 2012 period.

33 Employee benefit expenses

	31 December 2012	31 December 2011
Wages and salaries	52,595,033	42,278,476
Employee termination benefits	2,579,768	1,261,730
Provision for unused vacation	302,069	928,011
Total	55,476,870	44,468,217

34 Financial costs

The Company's has no finance expense in the current period (31 December 2011: None).

35 Income tax expense

	31 December 2012	31 December 2011
<i>Corporate tax liabilities:</i>		
Corporate tax provision	26,100,000	13,415,000
Less: Corporation taxes paid in advances during the period	(18,926,035)	(10,887,846)
Total	7,173,965	2,527,154

Total tax expense recognized in profit or loss

	31 December 2012	31 December 2011
Current tax expense	26,100,000	13,415,000
Deferred tax expense / (income)	447,909	(275,348)
Total	26,547,909	13,139,652

Total tax expense recognized in equity

	31 December 2012	31 December 2011
Change in fair value of available for sale financial assets	6,453,466	(2,400,348)
Total deferred tax expense recognized in equity	6,453,466	(2,400,348)

Reconciliation of the Company's taxation for the year ended 31 December 2012 and 2011 are as follows:

	31 December 2012		31 December 2011	
		Tax rate (%)		Tax rate (%)
Profit before tax	106,123,395		77,809,162	
Taxes on income per statutory tax rate	(21,224,679)	(20.00)	(15,561,832)	(20.00)
Disallowable expenses	(6,680,378)	(6.29)	(124,499)	(0.16)
Effect of allowances	1,357,148	1.28	2,546,679	3.27
Total tax expense recognized in profit or loss	(26,547,909)	(25.01)	(13,139,652)	(16.89)

36 Net foreign exchange gains

	31 December 2012	31 December 2011
Foreign exchange gains	513,717	3,327,777
Foreign exchange losses	(945,869)	(646,502)
Total	(432,152)	2,681,275

37 Earnings per share

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

	31 December 2012	31 December 2011
<i>For a share having TRK₺ (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares ^(*)	30,000,000,000	30,000,000,000
Net profit for the period	79,575,486	64,669,510
Earnings per share (for 100 shares)	0.26525	0.21557

^(*) Capital increase is made through internal resources and prior period's earnings per share figure is revised by using the number of shares subsequent to the capital increase.

38 Dividends per share

The Company's dividend distribution in 2012 from the profit of 2011 is presented below.

	Group	Total Cash Dividend Amount (TRY)	Cash dividend corresponding to a share having TRY 1 of nominal value	
			Amount (TRY)	Rate (%)
	A	133,333.33	0.133333	13.3333
	B	39,866,666.67	0.133333	13.3333
Gross	Total	40,000,000.00		
	A	113,333.33	0.113333	11.3333
	B	33,886,666.67	0.113333	11.3333
Net	Total	34,000,000.00		

The Company's dividend distribution in 2012 from the profit of 2011 is TRY 40,000,000. Other than that, a dividend of TRY 1,431,176 is distributed to the personnel of the Company.

39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at 31 December 2012, there are 130 ongoing law suit filed against the Company and total amount of these suits are TRY 2,382,430. TRY 3,412,883 (31 December 2011: TRY 3,233,569) of provision including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements. There are 28 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 1,037,549. Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

43 Commitments

Total amount of commitments that are not included in liabilities:

	31 December 2012	31 December 2011
Guarantees and commitments	863,986	1,035,151
Capital commitments	-	2,848,175
Guarantees and commitments	863,986	3,883,326

The Company does not have finance lease liabilities as at the reporting period (31 December 2011: None).

44 Business combinations

None.

45 Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Turkey İş Bankası AŞ with a 62% of share.

b. In accordance with the Company's activities, items of sub-classifications

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

c. No expense is recognized in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the period presented in the recent financial statements of such participations; net profit/loss for the period and period covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

	Carrying amount	Participation rate (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	8,762,193	20	31 December 2012	11,958,641	9,578,132	SPK XI/29	Unqualified

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

At the reporting date The Company has obtained no bonus shares through capital increases in associates from profit or capital reserves.

f. No guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

45 Related party transactions (continued)

g. Related party disclosures

The related party balances as at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Türkiye İş Bankası AŞ – receivables from credit card collections	76,031,154	60,398,105
Cash and cash equivalents	76,031,154	60,398,105
Türkiye İş Bankası AŞ – bank deposits	5,534,597	34,060,110
Cash at banks	5,534,597	34,060,110
Anadolu Anonim Türk Sigorta Şirketi – premium receivables	-	118,775
Receivables from main operations	-	118,775
Türkiye İş Bankası AŞ – commission payables	4,374,762	2,695,702
Milli Reasürans TAŞ – premium payables	162,086	309,789
Payable from main operations	4,536,848	3,005,491
Anadolu Anonim Türk Sigorta Şirketi – other payables	8,172	903
Payables to shareholders	8,172	903
İş Portföy Yönetimi AŞ	3,738,711	2,656,361
İş Merkezleri Yönetim ve İşletim AŞ	198,734	79,073
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim AŞ	77,092	58,058
Bayek Tedavi Hizmetleri ve İşletmeciliği A.Ş.	605	5,309
İş Koray Turizm Ormançılık Madencilik İnşaat Taahhüt ve Ticaret AŞ	571	572
Other payables	4,015,713	2,799,373

45 Related party transactions (continued)

g.Related party disclosures

For the year ended 31 December 2012, the Company obtained employer contribution for individual pension plans amounting to TRY 14,316,736 (31 December 2011: TRY 6,351,804) and accrued employer premium for life insurance amounting to TRY 302,422 (31 December 2011: TRY 164,810) from related parties. Other transactions with related parties during the year ended 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Milli Reasürans TAŞ - premiums written, ceded	917,985	965,332
Premiums written, ceded	917,985	965,332
Milli Reasürans TAŞ - commission income from reinsurers	246,831	248,363
Commission income from reinsurers	246,831	248,363
Türkiye İş Bankası AŞ – interest income from deposits	652,012	850,132
Investment income	652,012	850,132
İş Portföy Yönetimi AŞ – investment consultancy fee	364,488	166,740
İş Portföy Yönetimi AŞ – portfolio management fee	20,256	51,453
İş Yatırım Menkul Değerler AŞ – portfolio management fee	21,205	47,243
İş Portföy Yönetimi AŞ – secondary market operations of marketable securities	13,278	32,633
İş Yatırım Menkul Değerler AŞ – secondary market operations of marketable securities	10,674	26,595
Investment expense	429,901	324,664
Türkiye İş Bankası AŞ – commission of production	45,144,459	26,692,588
İş Portföy Yönetimi AŞ – portfolio management fee of pension funds	12,191,098	9,875,077
İş Merkezleri Yönetim ve İşletim A.Ş. – building administrative expense	3,961,869	3,085,452
İş Gayrimenkul Yatırım Ortaklığı AŞ – rent expense	2,917,306	2,681,694
Anadolu Anonim Türk Sigorta Şirketi – premium paid	1,020,191	1,125,723
Türkiye İş Bankası AŞ – commission of premium collection and banking services	839,031	866,563
Türkiye İş Bankası AŞ – rent expense	424,717	256,362
Anadolu Anonim Türk Sigorta Şirketi – rent expense	152,082	147,446
Other expenses	66,650,753	44,730,905

46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 – *events after the reporting period*.

47 Others

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

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

Current Assets (Other Receivables)	31 December 2012	31 December 2011
Securities reconciliation account	1,166,746	6,940,044
Other	688,355	684,803
Total	1,855,101	7,624,847

Short-term Liabilities (Other Miscellaneous Payables)	31 December 2012	31 December 2011
Suspense accounts	1,990,188	1,062,271
Securities reconciliation account	92,431	3,609,055
Payable to suppliers	3,757,877	2,290,582
Dividends to be paid	-	859
Other	384,280	384,280
Total	6,224,776	7,347,047

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

For the year ended 31 December 2012 and 2011, details of discount and provision expenses are as follows:

	31 December 2012	31 December 2011
Provision for employee termination benefits	(2,579,768)	(1,261,730)
Unused vacation pay liability	(302,069)	(928,011)
Provisions no longer required	619,356	-
Provision for impairment loss on financial assets	-	(3,290,693)
Other provision expense	(38,559)	(166,074)
Provision expense	(2,301,040)	(5,646,508)