MİLLÎ REASÜRANS T.A.Ş.
ANNUAL REPORT **2006**

78th year

CONTENTS

CORPORATE PROFILE

Commencing operations on 19 July 1929, Millî Reasürans (Milli Re) was set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system on behalf of the Turkish Treasury. As the world's only private company operating a compulsory reinsurance system, another feature that distinguishes Milli Re from other compulsory reinsurance operators is that it accepts compulsory cessions in all insurance branches.

These compulsory reinsurance cessions continued on the basis of different systems and with different percentages until 1 January 1992, at which date they were replaced with another system whose purpose was to increase local retention as well as reinsurance capacity in the insurance industry. This new system consisted of two parts:

1. Compulsory cessions that had to be made on per-policy basis in all branches other than Life.

2. Cessions that had to be made from the reinsurance contracts.

The first part of this system remained in effect for ten years, ending as of 31 December 2001 while cessions from reinsurance contracts were extended for another five years. Milli Re's management of these cessions, which are called the "Decree Pool", was terminated as at 31.12.2006.

Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, the Economic Cooperation Organization (ECO) Pool from 1975 to 1995, and the Turkish Catastrophe Insurance Pool (TCIP, whose formation it spearheaded) from 2000 to 2005. The company has also been managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Reinsurance Pool since 1974.

Since 2002, Milli Re has been accepting business on a voluntary basis from Turkish insurers and currently provides about 30%-35% of the industry's need for reinsurance coverage. The company's premium production in 2006 totaled TRY 853.4 million, registering a year-on rise by 18%. At year-end 2006, the total shareholder's equity amounted to TRY 536.7 million, signifying 15.2% increase compared with the prior year.

In 2006, Milli Re adopted a new strategy whereby the company started to actively write business from overseas markets which stood at a very limited level until then. With the purpose of balancing the company's domestic acceptances with the foreign business, this strategy was reinforced and supported by the strengthening of the Turkish Lira against hard currencies. Specifically targeting emerging Asian and African countries along with Middle East and East European countries, the volume of premium from foreign acceptances reached USD 23.8 million at the end of 2006.

Having been granted a B+ (good) financial strength rating at the beginning of 2006 by A.M. Best, Milli Re's outlook was revised from "stable" to "positive" in October 2006 by the same agency. According to A.M. Best, the key drivers behind this change were the company's robust financial structure and operational performance, its undisputed leadership in the Turkish market, and the potential revenue increase expected to arise from improving and growing overseas transactions.

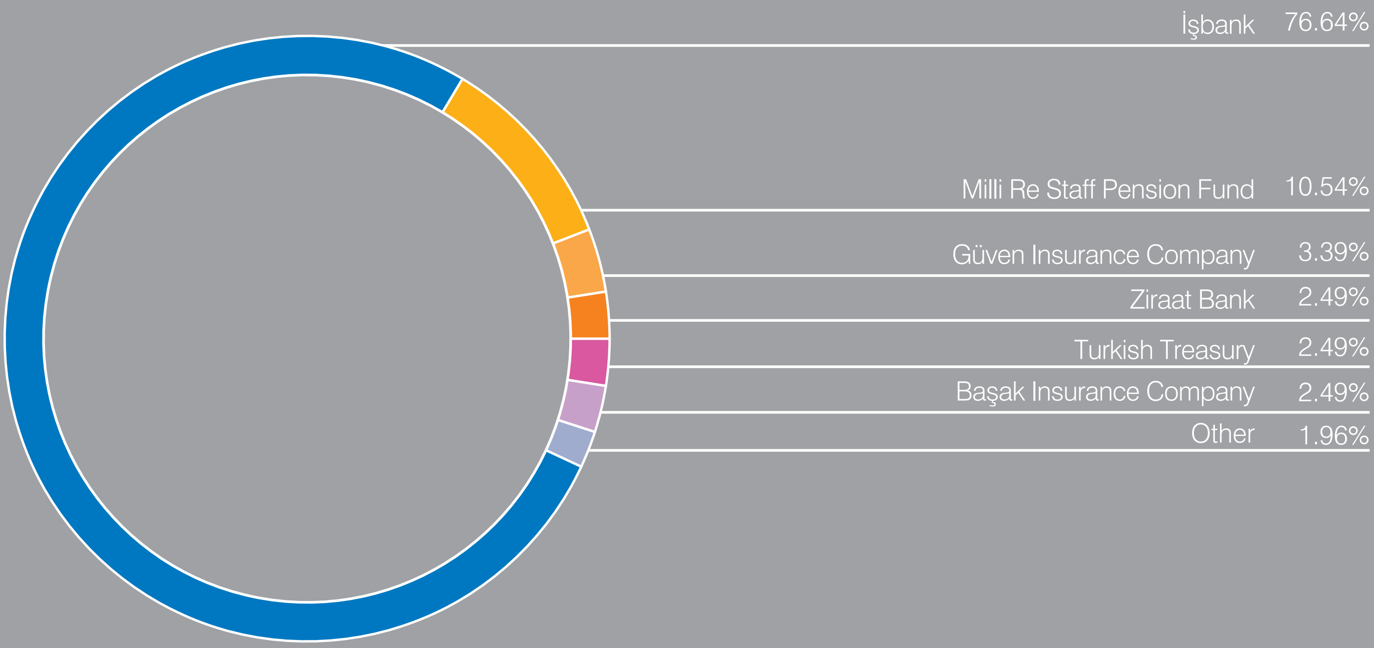
Milli Re is committed to further improve particularly its overseas activities in the coming period, and will continue to work in an effort to create increasing added value for the industry and the national economy.

23.8

USD MILLION

The volume of premium from foreign acceptances reached USD 23.8 million at the end of 2006.

MİLLİ RE SHAREHOLDER STRUCTURE



SHAREHOLDER	VALUE OF STAKE (TRY)	STAKE (%)
İşbank	262,868,405.05	76.64
Milli Re Staff Pension Fund	36,159,183.22	10.54
Güven Insurance Company	11,630,272.41	3.39
Ziraat Bank	8,539,112.13	2.49
Turkish Treasury	8,539,112.13	2.49
Başak Insurance Company	8,539,112.13	2.49
Other	6,724,802.93	1.96
TOTAL	**343,000,000.00**	**100**

Note: Shareholders controlling 1% or greater stakes in the company are shown.

KEY FIGURES

Financial Results (TRY mn)	2005	2006	Change (%)
Total Assets	995.7	1,132.5	13.7
Shareholders' Equity	465.7	536.7	15.2
Technical Income	1,204.2	1,409.8	17.1
Technical Profit/Loss	26.3	4.7	(82.1)
Financial Income	82.7	96.4	16.6
Financial Profit/Loss	10.6	43.7	312.3
Profit/Loss for the Period	36.9	48.4	31.2

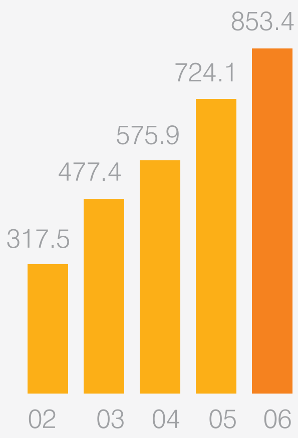
Ratios (%)	2005	2006
Liquidity Ratio	136	158
Current Ratio	151	174
Gross Premiums/Shareholders' Equity	155	159
Shareholders' Equity/Total Assets	47	47
Liquid Assets/Total Assets	58	68
Loss Ratio (Net)	73	77

853.4
TRY MILLION
A year-on rise by 18% was achieved in premium income.

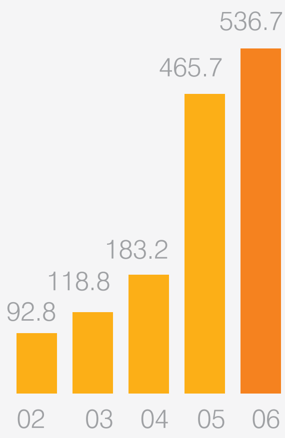
536.7
TRY MILLION
A year-on rise by 15.2% was achieved in shareholders' equity.

48.4
TRY MILLION
A year-on rise by 31.2% was achieved in profit for the period.

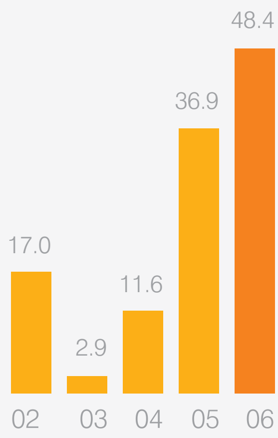
Premium Income
(TRY mn)



Shareholders' Equity
(TRY mn)



Profit for the Period
(TRY mn)



THE INTENSE EFFORTS UNDERTAKEN IN 2006 WERE AIMED TO REGISTER THE NAME OF MİLLİ RE IN THE GLOBAL LEAGUE, THUS WRITE A SUCCESS STORY FOR TURKEY BASED ON A PRUDENT BUSINESS APPROACH THAT INVOLVES ACHIEVING AN OPTIMAL BALANCE BETWEEN RISK AND RETURN.

İşbank takes pride in its subsidiary Milli Re's continued superior performance in 2006.

Ranking 69th among world reinsurance companies based on 2005 data in terms of retained premiums, our company undertook, and successfully fulfilled, many key functions since the debut of the insurance industry in Turkey.

Being the insurer of insurance companies in basic terms, Milli Re contributed significantly to the satisfaction of its clients, i.e. insurance companies, by virtue of its ability to provide reinsurance cover needed by the insurance industry with the best possible terms and prompt settlement of claims.

Milli Re is in the process of leaping from national to international scale.

Solidly built on the strong foundations of its 78-year history, our company is focused on offering service in the international arena. The intense efforts undertaken in 2006 were aimed at positioning Milli Re as a reinsurer providing service on an international scale.

Detailed analyses of global markets present us with new business opportunities. Our thorough studies indicate that we need to direct our efforts towards Asia and Africa, offering service in these markets.

Our target markets include around 30 countries in three continents. Our goal is to register the name of Milli Re in the global league, thus write a success story for Turkey, based on a prudent business approach that involves achieving an optimal balance between risk and return.

Our project is backed by our financial strength.

Competing in the international league requires an internationally recognized rating.

I am happy to report that the financial strength rating of B+ (good) assigned to Milli Re by A.M. Best in 2005 was reaffirmed and the outlook was changed from stable to positive in 2006. Our goal is to further improve this rating by eliminating the negative impact of Turkey's sovereign rating and to position ourselves among first-class reinsurance providers.

Global and Turkish economy, along with the insurance industry, moves with a positive momentum.

The world economy maintains a rapid and healthy development. With over 5% growth rate, 2006 was a good year for the world economy. Increase in liquidity worldwide supported the economic performance of developing countries, meanwhile the US, Euro-zone and Japanese economies displayed positive developments as well. While the rising oil and other commodity prices led to inflationist pressures on a global scale, the strength of global liquidity was once again proven in its resistance against the short-lived turbulence of May 2006.

Turkish economy continues along its positive path. As the economic growth kept moving in its predetermined track, the insurance industry has completed a successful year in terms of premium production.

As the insurance industry has shown an accelerating trend in parallel with the global and the Turkish economy, Milli Re performed successfully and increased its total premium production by 18%.

Focused on the future, our company possesses all infrastructural and superstructural competencies and has a strong capital base. Determined to further strengthen its position in the national insurance market, Milli Re will also be proud to be the first Turkish reinsurance company ever to operate in the international market in the years ahead, and will happily share this pride with the entire nation.

Prof. Dr. Ahmet Kırman
Chairman of the Board of Directors

BOARD OF DIRECTORS AND STATUTORY AUDITORS

1 Prof. Dr. Ahmet Kırman **2** Tülin Aykın **3** Ayşe Taciser Bayer
4 Feridun Bilgin **5** Bahtiyar Sönmez **6** Cahit Nomer
7 Hüseyin Yağcı **8** Memduh Aslan Akçay **9** Semra Anıl

Prof. Dr. Ahmet Kırman
Chairman of the Board of Directors
Prof. Dr. Kırman holds a degree in law from Ankara University and a master's degree in EU competition law and a doctorate in commercial law from the same university. Pursuing his studies in financial law, Prof. Kırman became an associate professor in 1994 and full professor in 2000. Having served as a professor, institute director, head of major discipline, and department head at the Faculty of Political Sciences of Ankara University, Prof. Kırman currently teaches at the Faculty of Law of Galatasaray University.

Additionally possessing the titles of attorney-at-law and certified financial advisor and having worked in the banking and insurance industries for many years, Prof. Kırman also served as a financial advisor to İşbank, contributed to the training programs of various enterprises including the Central Bank of the Republic of Turkey, the Banks Association of Turkey, and Association of the Insurance and Reinsurance Companies of Turkey, as well as providing financial legal consultancy to the same. He was also a member of the Tax Council. Having served on the boards of directors of numerous financial and industrial establishments, Prof. Kırman is currently the chairman of the Boards of İşbank, Türkiye Şişe ve Cam Fabrikaları A.Ş. and Millî Reasürans T.A.Ş.

Tülin Aykın
Vice Chairman of the Board of Directors
Tülin Aykın holds a degree in industrial engineering from Boğaziçi University. She started her career as a Specialist in the Organizational Department at İşbank. Having worked in various branches and units in İşbank, she has been serving as Assistant General Manager in İşbank since 2006 and has been a member of Millî Reasürans T.A.Ş. Board of Directors since 5 September 2006.

Ayşe Taciser Bayer
Director
Ayşe Taciser Bayer holds a degree in economics from İstanbul University. She began her career at İşbank and served in various capacities in that bank's branches and units. She currently holds the position of reporter in the Board of İşbank. Ms. Bayer has been a member of the Board of Directors of Millî Reasürans T.A.Ş. since 28 March 2005.

Feridun Bilgin
Director
Feridun Bilgin holds a degree in electrical & electronic engineering from İstanbul Technical University. Having worked at the State Planning Organization, he currently serves as a Deputy Director-General at the Turkish Treasury. He has been a member of the Board of Directors of Millî Reasürans T.A.Ş. since 31 August 2004.

Bahtiyar Sönmez
Director
Bahtiyar Sönmez is a graduate of the Ankara Academy of Economic and Commercial Sciences. He began his career at İşbank, eventually becoming a member of the Board of İşbank, from which position he retired. He has been a member of the Board of Directors of Millî Reasürans T.A.Ş. since 2 May 2005.

Cahit Nomer
Director and General Manager
Cahit Nomer holds a degree in law from İstanbul University. He began his career at Millî Reasürans T.A.Ş., serving in various capacities at the company and also pursued professional studies in Switzerland and the UK. In 1994-1996 he served as a member of CEA (Comité Européen des Assurances) Presidential Council, and between 1981 and 2005 he served as Vice Chairman and then Chairman of the Association of the Insurance and Reinsurance Companies of Turkey for nearly a quarter of a century altogether. Mr. Nomer is currently the Director and the General Manager of the company.

Hüseyin Yağcı
Statutory Auditor
Hüseyin Yağcı holds a degree in statistics from the Middle East Technical University and began his career at the Board of Inspectors of İşbank, where he later served in various positions. He is presently the Manager of İşbank Sefaköy branch. He has been a statutory auditor of Millî Reasürans T.A.Ş. since 28 March 2005.

Memduh Aslan Akçay
Statutory Auditor
Memduh Aslan Akçay holds a degree in political sciences from Ankara University and a master's degree in political economy (MSPE) from the University of Illinois at Urbana Champaign in the United States. Presently Director-General for Foreign Economic Relations of the Turkish Treasury, Mr. Akçay also serves as Turkey's representative in the board of directors of the Council of Europe Development Bank, and as a member on the boards of Black Sea Trade and Development Bank, and Ecobank. He is also in charge of the political focal point for Turkey at the Global Environment Facility and Alternate Governor for Turkey at the World Bank. He has been a Statutory Auditor of Millî Reasürans T.A.Ş. since 7 November 2005.

Semra Anıl
Reporter
Please see page 13 for Mrs. Anıl's CV.

ON 4 OCTOBER 2006 A.M. BEST UPGRADED MİLLİ RE'S B+ (STABLE) FINANCIAL STRENGTH RATING TO B+ (POSITIVE). OUR ULTIMATE GOAL IS TO LEVERAGE OUR RATING TO CATEGORY A AND EXPAND TO MARKETS WORLD-WIDE.

In 2006, Turkish insurance industry registered 24% growth in premium production.

2006 was a year of positive developments for the insurance industry.

Although official results for the industry are yet to be published, in accordance with the data provided by the Association of the Insurance and Reinsurance Companies of Turkey, Turkish market premium production was TRY 9,660 million including life insurance and TCIP. This figure indicates a year-on increase of 24% (2005: 15%).

A year without major losses...

2006 was also characterized by the absence of major claims to the industry, marking a record with just 4 risk losses in excess of USD 10 million.

The greatest problem for the industry was the non-technical price competition that has been ongoing for years. The severely competitive environment prevents the premium production from realizing its full potential, also leading insurance companies to sustain losses in motor own damage and health branches. Undergoing a rapid development process, the Private Pension System had a decelerating impact on the growth of life insurance.

Foreign capital investments have been ongoing.

The foreign capital inflow experienced in the insurance industry in the recent years is continuing.

In 2006, some shares of Başak Sigorta, Başak Emeklilik, İhlâs Sigorta, Şeker Sigorta, İsviçre Sigorta and İsviçre Hayat were acquired by foreign investors. On the other hand, backed up with French capital, Coface Sigorta obtained license to operate in credit insurance. With regard to premium production, about 60% of 2006 market premium was generated by foreign companies and companies with foreign shareholders.

The transformation in ownership prevailing in the insurance industry is a natural consequence and the predicted outcome of Turkey's integration to the world economy. Low insurance penetration in Turkey presents a large growth potential for local and foreign investors. In view of the fact that Turkey has a young population and an underutilized potential as yet, it is expected that the interest of foreign capital in the Turkish insurance industry will continue in years to come.

Milli Re has been a milestone in the industry since 1929.

Milli Re is the first and only private company in the world set up to operate a compulsory reinsurance system. The history of Milli Re sheds light on our recent history. Established to support the development of the insurance industry that the young Turkish Republic needed, Milli Re undertook a pivotal role in the Turkish insurance industry over the years since the first years of the Republic. Milli Re:

- nationalized the industry,
- decreased foreign currency outflow from the country,
- established solid international relationships,
- disciplined claims settlements, and
- adopted measures against unfair competition.

Its unrivaled position in the national market and the degree of confidence invested in Milli Re has strengthened its position. The company still preserves the same enthusiasm of the day it started operating and extends its best efforts for the improvement of the insurance industry and the sustainability of global standards in insurance services in Turkey.

To become an internationally recognized reinsurance player...

Following the restructuring undertaken in recent years, Milli Re launched a new strategy focusing on international expansion. Since 2006, Milli Re actively started writing overseas business which was very limited until then. Having started to play a more active role in overseas reinsurance markets, the company's goal is to carry its well-deserved reputation secured in the Turkish market and know-how to international markets with the support of its solid capital structure, and to become a widely accepted leading international player.

Milli Re is committed to achieve this goal making optimum use of its competent human resources and strong international relationships. Consistent performance of the Turkish economy and the stabilized value of the Turkish currency are the key factors supporting Milli Re's strategy to concentrate on the international arena.

In keeping with this goal...

Milli Re was assigned with B+ (good) financial strength rating in 2005 by A.M. Best, one of the leading rating agencies in the world.

This rating plays an important role in doing business in the global market and has helped Milli Re to cross a crucial threshold in becoming a world-class service provider. In 2006, Milli Re's international rating was updated.

Based on their conviction that Milli Re's capital base constantly grows stronger in parallel with the liabilities it undertakes, and the expectation that the company's progress will continue and even further increase in the future, A.M. Best changed Milli Re's B+ (stable) financial strength rating to B+ (positive) on 4 October 2006.

The current rating not only specifies Milli Re's reliability as a company, but also points out to the fact that Milli Re possesses a rating above Turkey's sovereign rating. Our ultimate goal is to leverage our rating to category A and expand to markets world-wide.

Our target markets cover around 30 countries.

Milli Re's international expansion strategy initially covers around 30 countries, providing reinsurance services mainly for Asian and African companies.

These projects are carried out at full speed, the initial concrete outcomes of which will be announced by mid-2007.

48.4

TRY MILLION

In 2006 Milli Re increased its after-tax net profit by 31.2%.

Premium production exceeding TRY 850 million in 2006

In 2006, Milli Re's premium production reached TRY 853.4 million, showing an 18% annual increase. 87.5% of this amount was retained by Milli Re.

Totaling TRY 536.7 million at year-end 2006, the shareholders' equity indicates a year-on increase of 15.2%. Milli Re generated TRY 48.4 million after-tax profit from its 2006 activities.

95% of the premiums received in 2006 originated from the local market. Milli Re aims to increase the volume of premium from foreign business up to 25 % of its total premium in the next decade.

Outlook

Milli Re has been contributing to the domestic insurance industry and providing reinsurance support since its inception in 1929. Currently fulfilling 30 to 35% of the industry's reinsurance needs, Milli Re is committed to further enhance its support to the insurance industry.

2007 and the following years will witness Milli Re's penetration into international markets. Our wish in this context is to register the "Milli Re" brand among major reinsurers in the international arena.

The steps taken in 2006 will be followed by other initiatives in 2007 and thereafter. Milli Re will continue to put its ability to provide suitable coverage and prompt claims settlement as well as its extensive technical knowledge at the disposal of its clients overseas.

In closing, I extend my sincerest thanks to all the players in our insurance industry for their continuous and increasing confidence in Milli Re and to all our employees for expending their hard work and expertise in a true team spirit on behalf of Milli Re.

Cahit Nomer
Director and General Manager

SENIOR MANAGEMENT

1 Cahit Nomer **2** Barbaros Yalçın **3** Semra Anıl
4 Hüseyin Yunak **5** Füsun Ersöz **6** Hasan Hulki Yalçın

Cahit Nomer
Director and General Manager
Please see page 07 for Mr. Nomer's CV.

Barbaros Yalçın
Assistant General Manager
Barbaros Yalçın holds a degree in law from İstanbul University and began his career at Millî Reasürans T.A.Ş. in the Fire Department. He has pursued professional studies in Switzerland and the UK. He is currently Millî Reasürans T.A.Ş.'s Assistant General Manager responsible for technical affairs and also serves as the Vice President of the Turkish Earthquake Foundation and of the Turkish Insurance Institute Foundation and as the President of Fire Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey.

Semra Anıl
Assistant General Manager
Semra Anıl holds a degree in law from İstanbul University. She began her career in the Accounting Department of Millî Reasürans T.A.Ş. and later served as a Company Attorney in the Legal Department. She became a Legal Adviser in 1993, a position that she still holds. She has been Assistant General Manager responsible for administrative affairs and personnel and also Board of Directors' Reporter since 1997.

Hüseyin Yunak
Assistant General Manager
Hüseyin Yunak holds a degree in business administration from İstanbul University and began his career in insurance with Millî Reasürans T.A.Ş. in 1980. He studied marine insurance abroad and served as Manager of Marine Department and TCIP. He is currently Assistant General Manager responsible for international reinsurance acceptances. He is also the President of the Marine Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey, and a lecturer at the Turkish Insurance Institute.

Füsun Ersöz
Assistant General Manager
Füsun Ersöz holds a degree in English philology from İstanbul University and she began her career at Millî Reasürans T.A.Ş. immediately after graduation. She has taken part in a number of professional training programs abroad. After serving as an officer responsible for acceptances by the FAIR Pool under Millî Reasürans T.A.Ş.'s management, she worked in the Treaty Department set up to handle domestic acceptances and reinsurance. She is currently Assistant General Manager responsible for domestic acceptances and reinsurance.

Hasan Hulki Yalçın
Assistant General Manager
Hulki Yalçın holds a degree in economics from the Middle East Technical University and a master's degree in international banking and finance from the University of Birmingham in England. After serving in various positions and capacities with İşbank for fourteen years, he joined Millî Reasürans T.A.Ş. in 2003 and subsequently took part in a number of professional training programs abroad. He is currently Assistant General Manager responsible for accounting and financial affairs.

Growth

Having grown 5.2% and 4.6% in the last quarter of 2006, GDP and GNP achieved respective growth rates of 6.1% and 6.0% in January-December 2006. In the reporting period, private sector consumption and investment outlays have been the drivers behind economic growth, whereas the public sector's contribution declined. In 2006, construction industry expanded by 19.4%, industrial sector by 7.3%, trade sector by 5.9%, transportation and communication sectors by 3.1%, and agricultural sector by 2.9%.

Foreign Trade

In 2006, exports achieved a year-on increase of 16.1%, reaching USD 85.3 billion. The key factor behind the increase in exports was the devaluation of the Turkish currency resulting from the short-lived volatility period in May. In terms of products, the greatest increase in exports was realized in ores, slag and ash, cereals, livestock, copper and copper products, aluminum and aluminum products, mineral fuels, mineral oils, various edible food chemicals, sugar and sugar products, tools made of base metal, pearls, precious stones and metal products, coins, and woods and wooden articles. Motor vehicles and spare parts, articles of knitted clothing and machinery used in clothing, mechanical equipments, and boilers and spare parts were among the most significant export items.

The volume of imports expanded by 17.7%, reaching USD 137.4 billion in 2006. The key factors behind the increase in imports were the increased use of imported inputs and high oil and other commodity prices. In terms of products, the greatest increase in imports was realized in aircraft, copper and copper products, ceramic products, ores, salt, sulphur, soil and stones, aluminum and aluminum products, furniture, mineral fuels, mineral oils and tools made of base metal. Most important import items were mineral fuels, mineral oils, machinery, mechanical appliances, boilers and spare parts.

As the foreign trade volume stood at USD 222.7 billion, the ratio of exports to imports was 62.1%.

Current Deficit

The current deficit in 2006 materialized as USD 31.5 billion. The increase in the current deficit was due to the increase in the foreign trade deficit resulting from the imports that outgrew the exports, and decrease in tourism revenues by USD 1.3 billion compared with 2005.

However, there were positive developments in the financing of current deficit; direct foreign investments reaching USD 19.7 billion was instrumental to finance over 60% of the current deficit. Again on the side of foreign capital inflow, the ratio of long-term capital rose significantly while short-term capital inflow decreased at a great extent. Central Bank of Turkey's foreign exchange reserves on the other hand, reached USD 62 billion, and their ratio to short-term capital moved up to 155%.

GNP (Fixed Prices)
(TRY bn)

Exports
(USD bn)

Imports
(USD bn)

Source: Turkish Statistical Institute

Inflation

Inflation showed an upward trend in 2006. The rise in inflation was mainly driven by high food prices, lively domestic demand and high raw material costs.

At the end of 2006, the yearly inflation was 11.58% on producer prices index (PPI). The sectoral breakdown of the increase in the reporting period is as follows: 36.9% in the utilities (electricity, gas and water) sector, 13.57% in mining and quarrying industry, 12.33% in manufacturing industry, 2.71% in agriculture, hunting, forestry and fishing sector.

On the consumer prices index (CPI), the increase surpassed the targeted 5% and stood at 9.65%. The highest increase came in the housing sector with 14.04%, followed by restaurants and hotels with 13.54%, various goods and services with 12.33%, food and non-alcoholic beverages with 11.17%, transportation with 10.15%, leisure and culture with 8.25%, healthcare with 7.93%, education with 7.73%, household goods with 7.31%, alcoholic beverages and tobacco with 5.06%, clothing and footwear with 1.91%, and communication with 1.34%.

Exchange Rates

Having exhibited a stable outlook in the first five months of 2006, exchange rates displayed a fluctuating trend after the turmoil in the markets. As at 31 December 2006, the New Turkish Lira depreciated by 5.2% against USD and by 16.9% against Euro. The depreciation of the New Turkish Lira against the foreign currency basket consisting of USD 1 + EUR 0.77 stood at 10.77%.

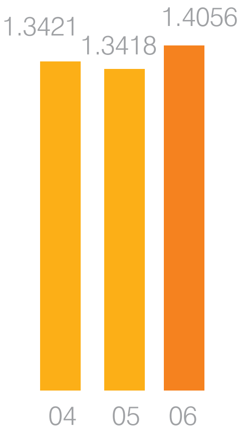
Expectations in 2007

The Central Bank of Turkey announced that it will implement a tight monetary policy in 2007 in order to control inflation. Therefore, it is predicted that in the first half-year the deceleration in the private sector investment and consumption expenditures will continue with a slight decrease, the economy will regain momentum in the second half-year with the effect of the released political tension in the aftermath of the Presidential election, and the growth figure for 2007 will be around 5%.

Introduced by the Central Bank of Turkey by early 2006, inflation targeting regime will be sustained in 2007 as well. In view of the structural transformation in the economy and the transition from high inflation to low inflation, 4% inflation is targeted in the medium term. This implies that the inflation targets announced as 4% for 2007 and 2008 will be preserved.

With respect to medium and long term outlook, it is still critical that the process of harmonization with the EU is continued and structural reforms regarding the economic program are put into life as planned, without any interruptions. Strong adherence to the continuation of the decisive initiatives taken in the mentioned areas during recent years, will contribute to adapt to the changes in the international conjuncture with least volatility possible.

Exchange Rate
USD/TRY



Exchange Rate
Euro/TRY

6.0%

Gross National Product grew by 6.0% in January-December 2006.

24% increase in premiums

Although the annual report showing the official results for the insurance industry has not been published by the Undersecretariat of Treasury's Supervisory Board as yet, in accordance with information provided by the Association of the Insurance and Reinsurance Companies of Turkey, premiums written in the insurance market in 2006 reached about TRY 9,660 million including life insurance and Turkish Catastrophe Insurance Pool (TCIP). As the year-on rise stood at 24%, the increase was above the inflation rate.

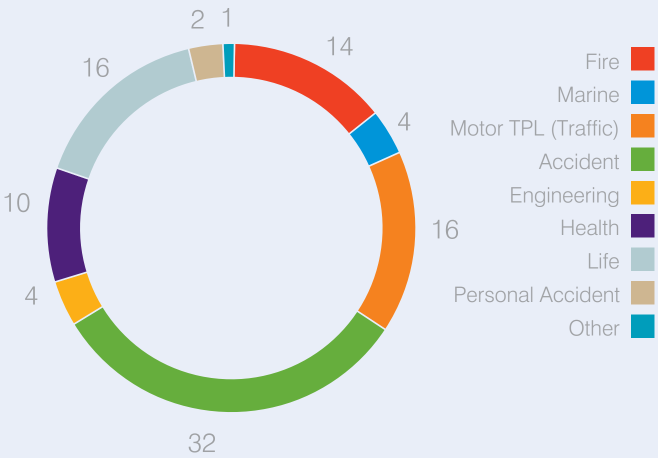
About 85% of this premium was generated from non-life branches, with the remaining 15% was derived from life insurance.

The amount of premium generated by the top ten companies in the Turkish insurance industry corresponds to around 64% of the market premium. Seven out of these ten companies are backed up with foreign capital.

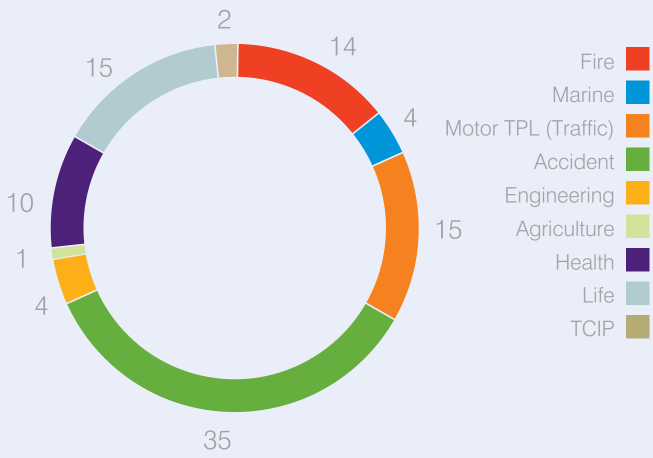
Branch-wise breakdown of premiums written in 2006 are presented below in comparison with 2005 figures.

Branches	2005 (TRY thousand)	2006 (TRY thousand)	Increase (%)
Fire	1,136,330	1,378,703	21
TCIP	-	206,110	-
Marine	290,631	346,202	19
Motor TPL	1,299,126	1,479,441	14
Accident	2,679,156	3,395,691	27
Engineering	322,110	430,515	34
Agriculture	48,530	54,363	12
Health	798,539	983,255	23
Non-Life Total	**6,574,422**	**8,274,280**	**26**
Life	1,242,065	1,385,926	12
Grand Total	**7,816,487**	**9,660,206**	**24**

Breakdown of Total Premium Income by Branches 2005 (%)



Breakdown of Total Premium Income by Branches 2006 (%)



A year without major losses

2006 can be described as a year without any major losses for the Turkish insurance industry. However, non-technical price competition that has been ongoing for years prevents premium production to increase and reach its full potential, also leading insurance companies to sustain losses particularly in motor own damage and health branches. As stated earlier, private pension plans started to hamper the growth of life insurance.

Foreign capital investments

Starting with 2005, the appetite of foreign direct investment for the Turkish insurance market showed a progressive trend during 2006. During the course of 2006, majority of shares in Başak Sigorta and Başak Emeklilik were sold to Groupama, a major insurance group from France, and İhlâs Sigorta was acquired by HDI International, affiliated to Germany's big insurance group Talanx.

American-based Liberty Mutual Group acquired shares in Şeker Sigorta, whereas Ergo Group owned by Munich Re and having German capital took over shares in İsviçre Sigorta and İsviçre Hayat. Coface Insurance backed up with French capital obtained authorization to operate in credit insurance.

About 60% of the total market premiums in 2006 were generated by foreign companies or companies with foreign shareholders. Seven out of top ten companies in terms of premium production are either foreign companies or companies with foreign shareholders. The increased volume of foreign capital in the market is a natural consequence of globalization.

In view of the fact that Turkey has a young population and an under-utilized insurance potential, it is expected that the interest of foreign capital in the Turkish insurance industry will continue in the years ahead.

	2005 (%)	2006 (%)
Fire*		
Loss Ratio	35.46	49.40
Technical Profit Ratio	11.37	6.98
Marine		
Loss Ratio	42.76	47.80
Technical Profit Ratio	26.28	24.17
Accident		
Loss Ratio	86.46	84.61
Technical Profit Ratio	(6.44)	(6.43)
Motor TPL (Traffic)		
Loss Ratio	69.77	79.97
Technical Profit Ratio	1.32	(7.27)
Engineering		
Loss Ratio	55.71	52.65
Technical Profit Ratio	9.58	7.97
Agriculture		
Loss Ratio	87.40	50.00
Technical Profit Ratio	(4.23)	2.13
Health		
Loss Ratio	84.66	84.45
Technical Profit Ratio	(4.29)	(2.22)

* Excluding TCIP

Decline in natural disasters

After the extraordinary challenges in the last few years, reinsurance market was able to take the advantage of the benign catastrophe activity and the ongoing interest of the capital markets in 2006. As a matter of fact, 2006 showed the best catastrophe performance since 2002, with a 52-fold decrease in catastrophe losses from the previous year.

Consequently, fewer losses and more capital injected in the market, combined with a firm pricing environment, have generated strong underwriting results for most of the reinsurers. Furthermore, rising investment yields due to the strong performance of global equities markets have augmented these positive results.

Natural disaster scenarios are being rewritten

Although there has not been any major loss during 2006, the unprecedented loss activity in 2005 increased assumptions regarding the severity and frequency of losses and forced the industry to hold more capital or buy more reinsurance. Many reinsurers, led by Lloyd's, with a 42% rise in its disaster limits, made significant increases in their realistic disaster scenarios. Similarly, modeling agencies also were inclined to make modifications in their catastrophe models.

Putting greater emphasis on Enterprise Risk Management (ERM), Standard & Poor's, AM Best, Fitch and Moody's made revisions in the rating models in 2006, incorporating mainly; the model changes made by RMS, AIR and EQECAT, heavy data requirements on companies writing catastrophe business, evidenced by proper, conservative use of appropriate models, specification of realistic disaster scenarios (peril combinations, ancillary costs) and their own revisions to their catastrophe risk weightings and stressed capital requirements.

Diversification continued to be a hot topic in the market after witnessing that KRW losses were proportionately far greater on specialized property cat underwriters than on large multi-line companies. Rating agencies exerted pressure on companies for promoting diversification as a means of reducing underwriting risks and thus avoid the risk of suffering rating downgrades.

Alternative Risk Transfer methods

Despite the fact that the reinsurance business in general did not lose capital during 2006, it lost much of its risk appetite. There were significant reductions for worldwide business.

This development, combined with the already scarce capacity for peak zone risks and retro business, led the industry to use alternative risk transfer mechanisms like side-cars and cat bonds more frequently. As a result, the industry faced almost daily side-car formations. While providing a major capital relief for the sponsors, these vehicles eliminate the credit risk with balance sheet protection against the full limit ceded.

Similarly, cat bond market has shown a similar proliferation, with a record issuance of approximately USD 4 billion in 2006 as opposed to USD 2.4 billion in 2005, and a total outstanding capacity of USD 7.6 billion.

However, as opposed to the rapid growth in cat bond and side car markets, the amount of capital raised in 2006 represents only 3 % of the estimated USD 330 billion capital of the global reinsurance market. Obstacles hurdling the development of securitizations included the industry's inability to identify the nature of cash flows to be acquired by the investor, problems with legal frameworks, contract standardization, data and modeling, lack of appropriate indices and transaction costs and time.

An important source for the market: private capital

On the other hand, private equity capital also continued to be a significant source for the market. Traditional reinsurance structures backed up with private equity funds manifested themselves, as has been with the Bermudan Market in 2005. Meanwhile, there has also been increased number of applications of structured finance; Asia in particular generated demand for multi-year, multi-class covers. The market showed interest for loss portfolio transfers and adverse development covers, as well as for collateralized one shot covers or named territory covers, with increased Industry Loss Warranty.

Outlook

While the general composition of the reinsurance market remained stable, with the top 10 reinsurers accounting for 54 % of the estimated USD 140 billion premiums, a number of major acquisitions also made a mark on 2006. By June 2006, the mega merger was completed and Swiss Re finally absorbed GE Insurance Solutions. In October, after having acquired Converium's North American operations, Berkshire Hathaway also acquired Equitas (which was set up to look after Lloyd's pre-1992 liabilities) and brought finality to former Lloyd's Names. Axa agreed to sell the business of Axa Re to a consortium of international investors led by Stone Point Capital to take effect in December 2006. Former Axa Re with its existing management team will be operating under a new brand name Paris Re. XL has formed a new company XL Re Europe, based in Dublin, to conduct the group's European reinsurance business. Ongoing acquisitions and mergers also increased the popularity of solvent schemes. It is widely assumed that increased capital requirements from regulators and rating agencies will be an incentive for run-off operations, which are either accommodated by in-house solutions or outsourced to specialized run-off providers.

Regulation

Taking a look at developments in terms of regulations, Solvency II ranks the first in the list. As a matter of fact, Solvency II made more progress during 2006 than in any other year so far. However, it is also realized that there is a great discrepancy in the extent of the measures taken in both Solvency II and Enterprise Risk Management (ERM); as some insurers and reinsurers, mainly the leading players, have already completely transformed their systems while others, mostly smaller re/insurers, are still in the very early stages. Another notable regulatory issue of the year, which has been imposed by the Lloyds Financial Services Authority (FSA) as part of their compliance procedures, was the 85 % “contract certainty” target, which required the complete and final agreement of all terms between the insured and insurers before any insurer formally commits to the contract.

2007 renewals

In consequence of the dynamics prevailing in the market during the course of 2006, 2007 renewals in general demonstrated that the trend of stabilization or reduction in reinsurance costs still continued. With the major exception of Florida and the Gulf Coast region, rates for both property and casualty were generally flat or falling modestly. In Europe (apart from the wind-exposed Northern European multi-territory covers where rates were firm), Asia, Australia, Latin America and areas and classes of business in US not prone to national catastrophes, rates were generally flat or have fallen by 5 - 10 %.

Property per risk market showed a similar trend.
A catastrophe element was built in pricing and with a strong domestic market together with Bermudian and London support there was adequate capacity provided that prices, terms and conditions were acceptable. Casualty and WCI market in general showed softening, while pricing trends in other markets varied from stable to down.

As for the retrocession market in 2006, it can be stated that the adverse effects of KRW has been dominant. The amount of US exposed retrocession capacity shrank in 2006, putting pressure on the market for 2007 renewals. During 2006, there were several withdrawals from this market, including Brit, Royal Bank of Canada, followed by PXRE and GE and the new entrants were not able to replace them, as they were reluctant to offer world-wide first layer retrocession. However for non-US exposed retrocession, there was no significant price reaction and there was greater availability of capacity. Apart from the Florida and Gulf region, either geographically or by class, prices declined or stayed static, partly due to the need for diversification.

Based on its rapid recovery following the events in previous years and the amount of confidence it has been able to generate through strong earnings and robust balance sheets as well as its more prudent approach to capital and underwriting, particularly in exposure management, it would not be unfair to conclude that the global insurance and reinsurance market would continue to show a more mature and firmer stance despite the predictions for continued hurricane activity, the increasing impact of global warming, ever-present threat of earthquake activities and other potential uncertainties.

140

USD BILLION

Top 10 reinsurance companies were accountable for 54% of the estimated premium production of USD 140 billion in 2006.

TURKISH REINSURANCE MARKET IN 2006

The most active year in terms of risk losses

2006 can not be considered as a successful year for the Turkish reinsurance market in terms of fire, motor own damage, motor TPL, and life branches. The most definitive remark that can be made especially for fire branch would be that "2006 has been the most active year in terms of risk losses".

In 2006, the market faced four major losses on risk basis exceeding USD 10 million. The year started with Hyundai Assan loss, followed by Atatürk Airport, Trakya Cam and Sentapol losses. Consequently, it has not been possible to maintain the successful performance of 2005 in the fire branch during 2006.

Motor Own Damage, Motor TPL (Traffic) and Insurance branches

Motor own damage, motor TPL and health branches were the significant underperformers in 2006. Although international reinsurers were not affected by the poor technical results in these branches because of the fact that they were not generally involved in the relevant reinsurance contracts, unprofitable results in these branches had a negative impact on Milli Re which provides reinsurance coverage in all these branches.

On the other hand, 2006 was a remarkable year as it was the last operation year of the Decree Pool. Compulsory cessions on the basis of reinsurance treaties terminated with effect from 31 December 2006.

2007 reinsurance renewals

With the absence of a major catastrophic loss in 2006 as opposed to 2005, there was a reduction in the rates for catastrophic excess of loss covers in the Turkish market as compared with the previous year.

Although expected price increases were realized in the risk layers of the companies which were affected by the losses indicated above, no major capacity shortage was witnessed in terms of catastrophic capacity.

The total catastrophic coverage purchased by the Turkish insurance market for 2007 is around USD 3 billion, with a corresponding premium of approximately USD 70 million. Including the catastrophic coverage obtained by TCIP and Milli Re, total coverage for the market reaches USD 4.8 billion with premium amounting to USD 150 million.

There was no lack of capacity for proportional reinsurance contracts, nor were there any problems arising from the expiration of the Decree Pool which involved on average 15% compulsory cessions from all reinsurance contracts. Milli Re renewed 50% of its previous involvement in proportional treaties through the Decree Pool in 2007 renewals, while the rest was renewed by international reinsurers.

Milli Re decided to gradually withdraw from motor (own damage and TPL) business for which it offers coverage on quota-share basis, due to the continuation of negative results over time and its conviction that insurance companies fail to take the necessary action to prevent losses. This initiative was taken during 2007 renewals and was also implemented for health business.

Other noteworthy issues regarding proportional treaty renewals are the continuation of earthquake and terrorism event limits and minimum rate applications in fire and engineering proportional treaties and a broader application of sliding scale commissions with the aim of improving treaty results.

3.0

USD BILLION

The total catastrophic coverage purchased by the Turkish insurance market for 2007 is around USD 3 billion, with a corresponding premium of approximately USD 70 million.

MİLLİ RE'S TECHNICAL RESULTS IN 2006

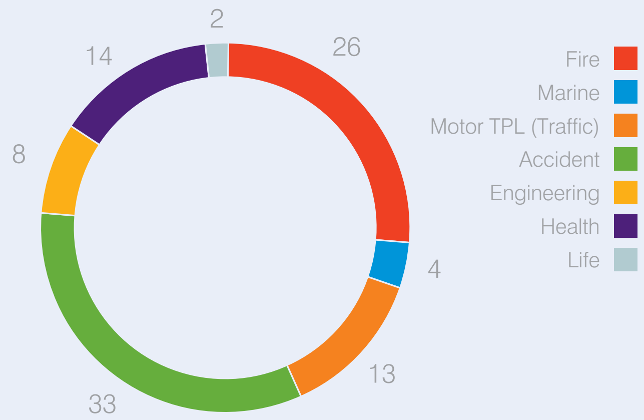
In 2006, Milli Re produced a total premium of TRY 853,428,752, which corresponds to a year-on increase of 18%. As a consequence of the measures taken to mitigate the negative impact of poorly performing branches, particularly motor own damage and health, Milli Re's growth rate remained below the industry average. As in the previous year, Milli Re's premium volume accounted for about 9% of the total market in 2006.

Milli Re's branch-wise breakdown of premium is different from that of the market as a whole. The need for reinsurance in life insurance is very limited, which is the reason why this branch constitutes only a small percentage of Milli Re's portfolio. In the accident, motor TPL, and marine branches the company's share is close to the sector averages while in the Fire, Health and Engineering branches it is greater.

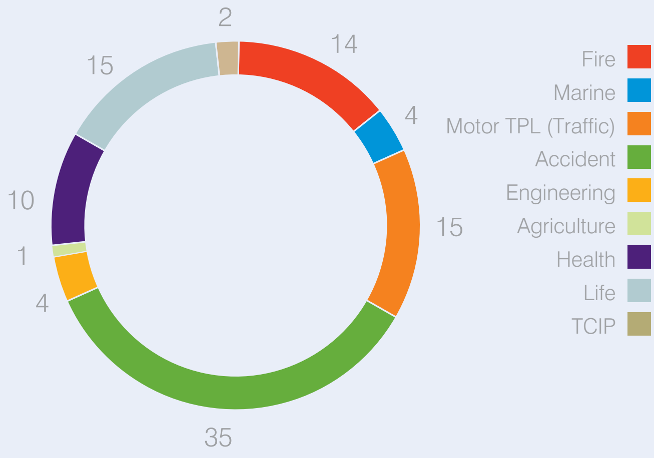
The amount of premium Milli Re retroceded to reinsurers is TRY 107,312,875, which corresponds to 12.5% of its written premium in 2006. In other words, as in 2005, the company retained 87.5% of the total premium it produced in 2006.

Branch-wise Premium Production in 2006 (%)

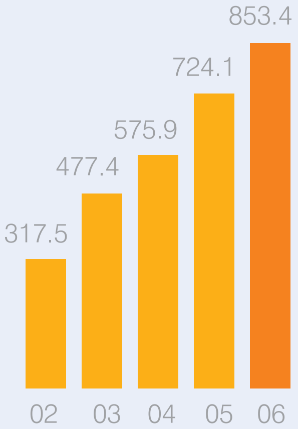
Milli Re



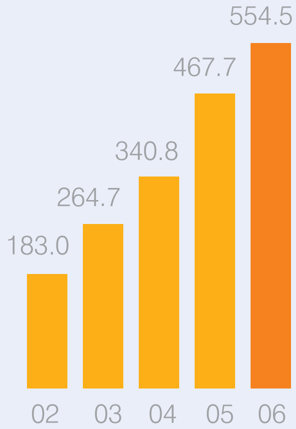
Market Total



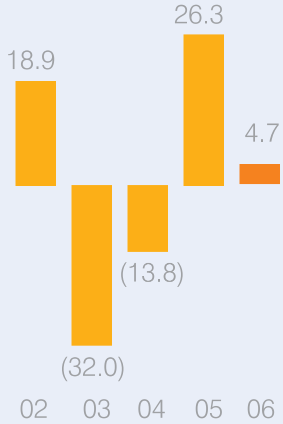
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Technical Profitability Ratios (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	66	68	70	68	74
Loss Ratio (Net)	67	73	74	73	77
Expense Ratio	24	26	23	22	23
Combined Ratio	90	94	93	90	97

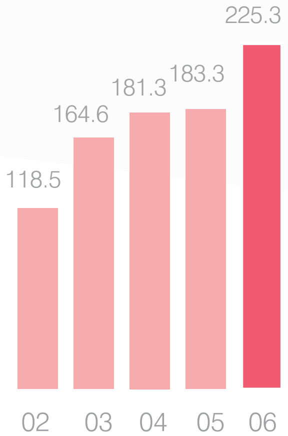
Capital Adequacy (TRY mn)*	2005	2006
Required Capital	177.6	189.0
Shareholders' Equity	562.2	637.2
Surplus	384.6	448.2

* Regulation for the implementation of Capital Adequacy was put in force as at the end of 2005.

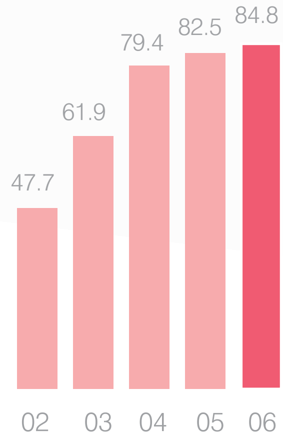
Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**1,204,177,461.25**	**1,409,813,980.59**	**17.08**
A) Premiums	724,055,635.71	853,428,751.96	17.87
B) Commissions	17,855,803.61	19,516,385.72	9.30
C) Retrocessionaires' Share in Losses Paid	32,486,981.08	38,265,195.97	17.79
D) Technical Provisions Brought Forward (Net)	357,722,884.89	392,331,935.94	9.67
a) Provision for Unearned Premiums	204,373,097.32	219,789,638.58	7.54
b) Provision for Outstanding Losses	152,422,821.89	171,315,204.55	12.39
c) Mathematical Reserves (Life)	701,784.86	759,494.57	8.22
d) Provision for Outstanding Indemnities (Life)	225,180.82	467,598.24	107.65
E) Retrocessionaires' Share in Technical Provisions	50,781,863.87	72,717,192.61	43.20
a) Provision for Unearned Premiums	18,382,566.01	17,092,909.34	(7.02)
b) Provision for Outstanding Losses	32,399,297.86	55,045,316.63	69.90
c) Provision for Outstanding Indemnities (Life)	0.00	578,966.64	+
F) Other Income	2,724,539.57	10,658,046.05	291.19
G) Investment Income Transferred from Non-Technical Account	17,837,416.42	22,200,068.67	24.46
H) Investment Income (Life)	712,336.10	696,403.67	(2.24)
II- Technical Expenses	**1,177,867,202.10**	**1,405,097,993.67**	**19.29**
A) Premiums Ceded to Retrocessionaires	90,252,002.82	107,312,874.69	18.90
B) Commissions Paid	160,659,201.59	196,203,742.21	22.12
C) Losses Paid	467,695,689.30	554,460,069.52	18.55
D) Technical Provisions	447,895,771.21	533,817,946.67	19.18
a) Provision for Unearned Premiums	238,172,204.59	256,380,956.55	7.65
b) Provision for Outstanding Losses	203,714,502.41	269,843,806.70	32.46
c) Contingency Fund for Earthquake	4,781,971.40	5,320,212.19	11.26
d) Mathematical Reserves (Life)	759,494.57	924,970.89	21.79
e) Provision for Outstanding Indemnities (Life)	467,598.24	1,348,000.34	188.28
E) Other Expenses	2,190,811.70	2,863,490.77	30.70
F) Investment Expenses Transferred to Non-Life Technical Account	8,823,720.94	10,039,874.60	13.78
G) Operating Expenses (Life)	350,004.54	399,995.21	14.28
III- Technical Profit/Loss (I-II)	**26,310,259.15**	**4,715,986.92**	**(82.08)**

FIRE INSURANCE

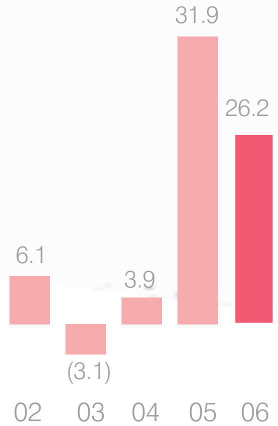
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Turkish insurance industry produced TRY 1,379 million premium in the fire branch in 2006, representing a year-on rise by 21%. Fire premiums accounted for 14% in the total premium production (including life) in 2006, maintaining the previous year's ratio.

Flood losses that occurred in the Black Sea and Southeastern Anatolia Regions can be cited as the noteworthy catastrophic losses in the fire branch during 2006; yet the total insured loss did not reach a significant level.

On the other hand, there was a considerable rise in the frequency of risk losses. The expected profitability in the fire branch has not been reached due to the intense price competition and very low profit margins in 2006.

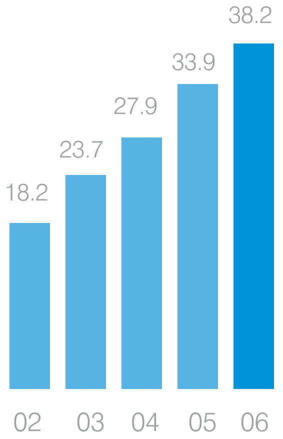
Milli Re registered 23% increase in fire premiums compared with previous years, and achieved TRY 225,345,163. This premium was generated from the company's acceptances on treaty basis and from facultative acceptances. Milli Re's fire premium accounted for 26% of its total premium and had a higher share in the portfolio compared with the previous year.

While losses paid by Milli Re displayed a limited year-on rise of 3% in 2006, the increase in the provision for outstanding losses by 55%, resulted in the highest level of loss ratio for the past 5 years. Despite the relatively higher loss ratio, TRY 26,246,886 profit was realized in the fire net retained account which was contributed by the change in the method of allocating earthquake contingency fund and the positive effect of the transfer of a proportion of the financial income and expenses into technical accounts in accordance with the Communiqué of the Undersecretariat of Treasury.

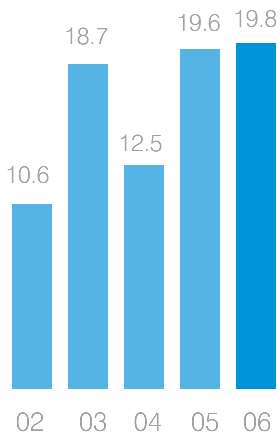
Profitability Ratios in the Fire Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	50	43	47	41	53
Loss Ratio (Net)	51	47	53	49	59
Expense Ratio	25	25	23	23	22
Combined Ratio	75	68	70	64	75

Fire Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**318,674,956.25**	**368,718,733.99**	**15.70**
A) Premiums	183,265,030.16	225,345,162.95	22.96
B) Commissions	7,673,185.09	8,048,419.41	4.89
C) Retrocessionaires' Share in Losses Paid	12,500,185.64	13,916,666.44	11.33
D) Technical Provisions Brought Forward (Net)	85,156,150.96	75,235,018.16	(11.65)
a) Provision for Unearned Premiums	33,777,196.88	25,508,092.97	(24.48)
b) Provision for Outstanding Losses	51,378,954.08	49,726,925.19	(3.22)
E) Retrocessionaires' Share in Technical Provisions	23,585,503.99	31,979,408.12	35.59
a) Provision for Unearned Premiums	7,447,232.88	4,649,485.24	(37.57)
b) Provision for Outstanding Losses	16,138,271.11	27,329,922.88	69.35
F) Other Income	808,332.05	8,508,619.58	952.61
G) Investment Income Transferred from Non-Technical Account	5,686,568.36	5,685,439.33	(0.02)
II- Technical Expenses	**286,705,333.08**	**342,471,848.06**	**19.45**
A) Premiums Ceded to Retrocessionaires	51,421,540.76	61,525,270.83	19.65
B) Commissions Paid	44,871,058.87	53,101,458.87	18.34
C) Losses Paid	82,517,482.70	84,785,011.87	2.75
D) Technical Provisions	103,472,325.73	138,465,883.78	33.82
a) Provision for Unearned Premiums	32,955,325.85	31,297,564.40	(5.03)
b) Provision for Outstanding Losses	65,865,196.30	102,006,248.58	54.87
c) Contingency Fund for Earthquake	4,651,803.58	5,162,070.80	10.97
E) Other Expenses	1,609,922.78	2,023,010.96	25.66
F) Investment Expenses Transferred to Non-Life Technical Account	2,813,002.24	2,571,211.75	(8.60)
III- Technical Profit/Loss (I-II)	**31,969,623.17**	**26,246,885.93**	**(17.90)**

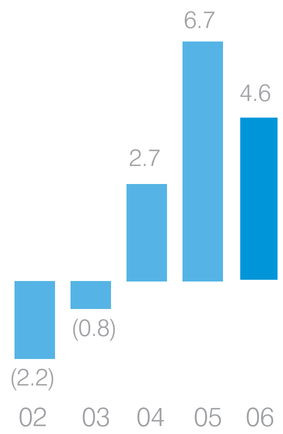
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Total market premium production in marine insurance which was TRY 290.6 million in 2005, showed an increase by 19% in 2006 and reached TRY 346.2 million in line with the increased trade volume of the country.

Although there was an increase in marine premiums in 2006, the share of marine insurance within the total premium including life, stood at the same level as the previous year, i.e. 4%.

In 2006, the number of policies in marine insurance was 1,352,935 with a breakdown as follows: 1,339,408 policies for cargo, 10,748 policies for hull, and 2,779 policies for specie.

As may be noted, nearly all policies written in the marine branch are for cargo insurance and the great majority of these policies are in respect of the transport of imported/exported cargoes. The number of cargo policies covering domestic inland transportation has failed to achieve the desired level due to the lack of insurance awareness.

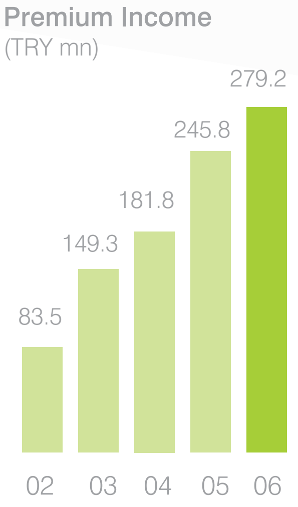
Another factor that hinders the growth in terms of number of policies and premium in cargo insurance despite the significant increase in the volume of imports and exports in Turkey, is the stipulation imposed by counterparty importers and exporters that insurance coverage be obtained from their own country. This causes a significant loss of business for the Turkish insurance industry. Furthermore, as a result of the fierce competition between the insurance companies, premium from cargo policies cannot reach the desired level within the total premium production.

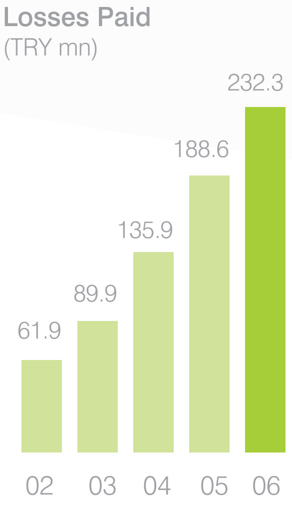
Milli Re produced TRY 38,213,058 premium in the marine branch in 2006, registering a year-on rise of 13%. The company's premium production in this branch corresponds to about 11% of market's total marine premium. Milli Re's gross loss ratio in marine insurance was 71% in 2006, as opposed to 44% in 2005. Consequently, the net retained account for this branch generated TRY 4,554,522 in profit, slightly less than what it had been the year before.

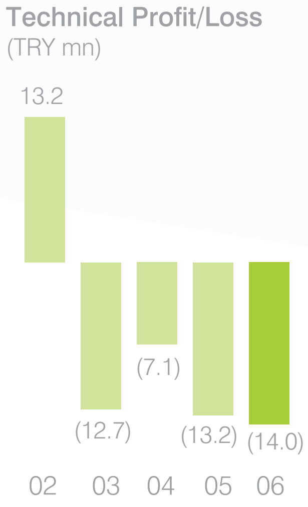
Profitability Ratios in the Marine Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	87	75	72	44	71
Loss Ratio (Net)	86	70	50	51	55
Expense Ratio	29	30	30	28	27
Combined Ratio	116	105	102	72	98

Marine Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**70,140,146.13**	**77,713,908.28**	**10.80**
A) Premiums	33,936,737.65	38,213,058.24	12.60
B) Commissions	1,678,545.93	1,948,254.25	16.07
C) Retrocessionaires' Share in Losses Paid	3,558,800.18	3,351,784.31	(5.82)
D) Technical Provisions Brought Forward (Net)	22,970,018.76	18,645,270.78	(18.83)
a) Provision for Unearned Premiums	8,792,439.31	4,846,484.63	(44.88)
b) Provision for Outstanding Losses	14,177,579.45	13,798,786.15	(2.67)
E) Retrocessionaires' Share in Technical Provisions	7,149,455.75	14,369,349.96	100.99
a) Provision for Unearned Premiums	948,660.14	1,307,326.30	37.81
b) Provision for Outstanding Losses	6,200,795.61	13,062,023.66	110.65
F) Other Income	(31,013.05)	131,687.65	+
G) Investment Income Transferred from Non-Technical Account	877,600.91	1,054,503.09	20.16
II- Technical Expenses	**63,412,857.10**	**73,159,386.07**	**15.37**
A) Premiums Ceded to Retrocessionaires	7,304,348.27	7,954,807.03	8.91
B) Commissions Paid	10,257,881.73	11,398,799.64	11.12
C) Losses Paid	19,589,676.73	19,813,432.61	1.14
D) Technical Provisions	25,794,726.53	33,393,478.30	29.46
a) Provision for Unearned Premiums	5,795,144.77	6,531,952.41	12.71
b) Provision for Outstanding Losses	19,999,581.76	26,861,525.89	34.31
E) Other Expenses	32,096.76	121,974.44	280.02
F) Investment Expenses Transferred to Non-Life Technical Account	434,127.08	476,894.05	9.85
III- Technical Profit/Loss (I-II)	**6,727,289.03**	**4,554,522.21**	**(32.30)**

ACCIDENT INSURANCE







Approximately 41% (TRY 3,395 million) of the TRY 8,274 million market non-life premium in 2006 was generated in accident branch, including motor own damage and personal accident business. The year-on growth in this branch was 27%.

In 2006, 77% of the premium produced in accident (TRY 2,600 million) consisted of motor own damage insurance.

The technical losses of the previous year resulting from the fierce competition in motor own damage insurance has forced insurance companies to incorporate certain measures in this respect and revise tariff rates. The economic volatility period in April and May has a negative impact of on spare part prices, which in turn caused increases in the cost of losses. Furthermore, with the effect of the decline in new car purchases in the automotive industry as compared with the prior year, motor own damage branch closed 2006 with a loss.

As was the case in previous years, theft and plate-glass covers were generally provided under fire package policies at a very low price in 2006, resulting an increase in the loss ratios for these lines of business.

There were some positive consequences in liability insurance that were contributed by Turkey's EU accession process and the increasing awareness for the necessity of liability coverage. Significant rise in premium production is expected in this branch in the years to come.

On 16 March 2006, Professional Liability Insurance General Conditions, and on 21 September 2006, Medical Malpractice Professional Liability Insurance Clause for Practitioners have been published in the Official Gazette and were put into effect.

Decrease in the interest rates charged by banks in respect of housing loans and personal accident policies purchased for customers receiving the loans produced a 31% year-on growth in this branch.

Milli Re's premium production in the accident branch between 2002 and 2005 accounted for 7% to 10% of the market's total premium. This percentage was 8% in 2006, corresponding to a premium amount of TRY 279,178,028, which showed a 14% growth as compared with the previous year. Particularly the rise in the cost of losses in motor own damage insurance had a negative impact on Milli Re, causing a 23% increase in paid losses and a 17% increase in outstanding losses compared with the previous year. Gross loss ratio increased by one point as compared with 2005 and stood at 89%. In view of these reasons, the company's accident branch retained accounts showed a net loss of TRY 14,010,252.

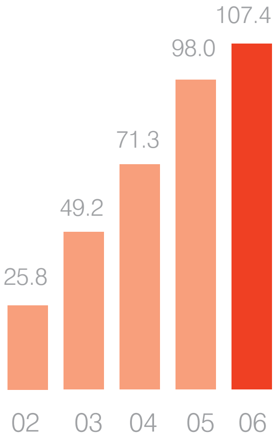
Various measures were taken to mitigate the effects the industry's poor performance in motor own damage on Milli Re. In cases where it was not possible to take necessary action, the company withdrew from the related reinsurance contracts. It is expected that the impact of these measures will be seen in the following year.

Profitability Ratios in the Accident Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	71	86	84	88	89
Loss Ratio (Net)	71	87	85	89	89
Expense Ratio	22	23	21	19	19
Combined Ratio	93	109	105	107	108

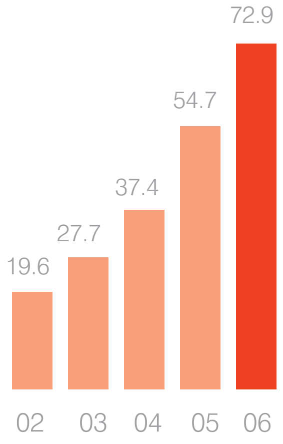
Accident Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**392,912,493.55**	**463,757,368.64**	**18.03**
A) Premiums	245,789,139.05	279,178,028.35	13.58
B) Commissions	3,802,797.16	4,016,215.83	5.61
C) Retrocessionaires' Share in Losses Paid	6,881,392.49	10,785,666.22	56.74
D) Technical Provisions Brought Forward (Net)	121,659,565.55	150,204,796.59	23.46
a) Provision for Unearned Premiums	83,002,917.73	97,713,553.76	17.72
b) Provision for Outstanding Losses	38,656,647.82	52,491,242.83	35.79
E) Retrocessionaires' Share in Technical Provisions	7,911,504.08	10,730,609.32	35.63
a) Provision for Unearned Premiums	4,525,518.53	5,336,542.05	17.92
b) Provision for Outstanding Losses	3,385,985.55	5,394,067.27	59.31
F) Other Income	1,165,473.21	1,216,329.61	4.36
G) Investment Income Transferred from Non-Technical Account	5,702,622.01	7,625,722.72	33.72
II- Technical Expenses	**406,120,291.87**	**477,767,620.63**	**17.64**
A) Premiums Ceded to Retrocessionaires	12,173,174.30	14,924,370.38	22.60
B) Commissions Paid	44,321,473.48	50,357,453.02	13.62
C) Losses Paid	188,561,119.64	232,277,904.97	23.18
D) Technical Provisions	158,116,300.67	176,540,125.70	11.65
a) Provision for Unearned Premiums	102,239,072.29	110,927,503.34	8.50
b) Provision for Outstanding Losses	55,877,228.38	65,612,622.36	17.42
E) Other Expenses	127,280.19	219,069.57	72.12
F) Investment Expenses Transferred to Non-Life Technical Account	2,820,943.59	3,448,696.99	22.25
III- Technical Profit/Loss (I-II)	**(13,207,798.32)**	**(14,010,251.99)**	**6.08**

MOTOR THIRD PARTY LIABILITY (TRAFFIC) INSURANCE

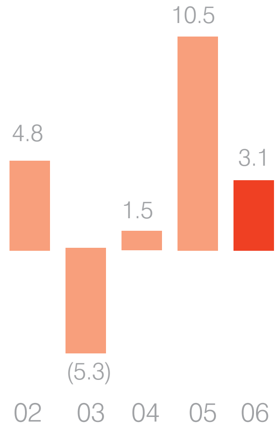
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Premium production in the Turkish market for motor TPL insurance in 2006 amounted to TRY 1,479 million, with a year-on rise of 14%. Premium generated in this branch represents 18% of the total premium production in non-life branches. Its share within the total premium including life is 15%.

Although the tariff relating to Motor TPL, which was put into force as from 1st January 2006 indicates an average increase of 15% in coverage limits and 8% in premiums compared with 2005, a certain level of growth was achieved both in premium production and in the number of insureds in this branch, thanks to the uniformity of practice among the insurance companies ensured by TRAMER, the Traffic Insurance Information Center set up under the Association of the Insurance and Reinsurance Companies of Turkey.

Despite the decline in technical profitability compared with the previous year due to increased commissions given to agencies, the branch was still able to generate positive results.

Although the Compulsory Highway Transport Liability insurance was introduced in 2004, the anticipated development has not been achieved due to problems encountered in the carrier licenses issued by the Ministry concerned.

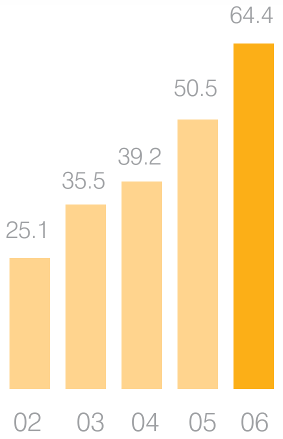
Milli Re's premium income for motor TPL was TRY 107,385,430 in 2006, which represents a year-on rise of 10% and corresponds to 7% of the total market premium production in this branch. Gross loss ratio materializing as 72 % in this branch, is 5 points above that of 2005. Consequently, the technical profit of the retained account in this branch was TRY 3,087,794, slightly less than the previous year's profit.

Profitability Ratios in the Motor TPL (Traffic) Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	78	81	75	67	72
Loss Ratio (Net)	79	81	73	67	73
Expense Ratio	14	29	24	25	27
Combined Ratio	92	110	99	92	99

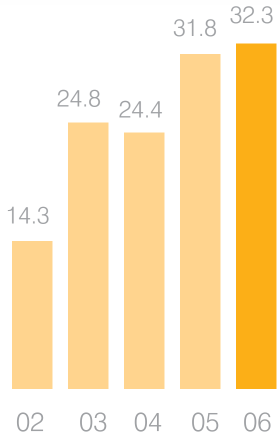
Motor TPL (Traffic) Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**161,883,867.43**	**183,104,450.10**	**13.11**
A) Premiums	98,020,400.79	107,385,429.97	9.55
B) Commissions	356,908.80	451,449.61	26.49
C) Retrocessionaires' Share in Losses Paid	763,176.91	952,994.07	24.87
D) Technical Provisions Brought Forward (Net)	58,183,811.54	69,798,453.30	19.96
a) Provision for Unearned Premiums	34,646,627.85	38,873,667.32	12.20
b) Provision for Outstanding Losses	23,537,183.69	30,924,785.98	31.39
E) Retrocessionaires' Share in Technical Provisions	1,614,101.21	885,979.69	(45.11)
a) Provision for Unearned Premiums	726,580.75	455,034.33	(37.37)
b) Provision for Outstanding Losses	887,520.46	430,945.36	(51.44)
F) Other Income	710,439.89	588,734.26	(17.13)
G) Investment Income Transferred from Non-Technical Account	2,235,028.29	3,041,409.20	36.08
II- Technical Expenses	**151,376,586.79**	**180,016,655.72**	**18.92**
A) Premiums Ceded to Retrocessionaires	1,664,840.59	1,792,228.97	7.65
B) Commissions Paid	22,105,160.56	26,855,106.32	21.49
C) Losses Paid	54,697,884.71	72,905,453.74	33.29
D) Technical Provisions	71,412,554.51	76,813,477.98	7.56
a) Provision for Unearned Premiums	39,600,248.07	43,141,899.83	8.94
b) Provision for Outstanding Losses	31,812,306.44	33,671,578.15	5.84
E) Other Expenses	390,534.19	274,925.87	(29.60)
F) Investment Expenses Transferred to Non-Life Technical Account	1,105,612.23	1,375,462.84	24.41
III- Technical Profit/Loss (I-II)	**10,507,280.64**	**3,087,794.38**	**(70.61)**

ENGINEERING INSURANCE

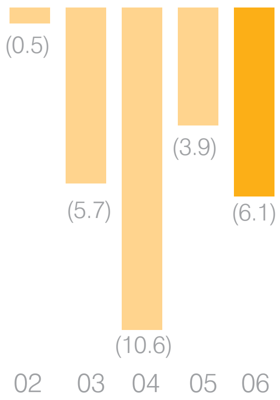
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Total engineering premium production in the market was around TRY 431 million in 2006, showing a 34% year-on increase. The share of engineering business in the total non-life premium was 5% and about 4% in the total premium including life insurance.

The key drivers behind the growth achieved in 2006 were the construction and erection projects undertaken by Turkish contractors in foreign countries and the obligation imposed on contractors to purchase construction covers for mass housing construction projects awarded by the Housing Development Administration (TOKİ). The price competition among companies has continued on an increasing scale in 2006. The price competition and the amount of losses paid in machinery breakdown insurance had a negative impact on the technical profitability in this branch.

Milli Re's premium production in engineering has corresponded to 13-16% of the market's total premium between 2002 and 2005. This percentage materialized as 15% in 2006 with a written premium of TRY 64,376,200, showing a 28% year-on growth which has remained below the market average.

Losses paid by Milli Re for this branch amounted to TRY 32,319,444, showing a 2% year-on increase. Outstanding losses, on the other hand, went up by 38% compared with 2005 and reached TRY 30,907,358. With a year-on increase by 3 points, the gross loss ratio in 2006 was 69%.

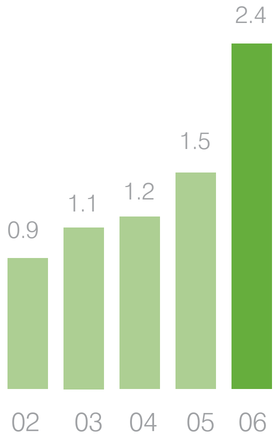
Engineering branch yielded a TRY 6.145.075 loss in our retained account.

Profitability Ratios in the Engineering Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	77	79	77	66	69
Loss Ratio (Net)	63	95	94	70	74
Expense Ratio	33	34	33	33	31
Combined Ratio	110	113	110	99	100

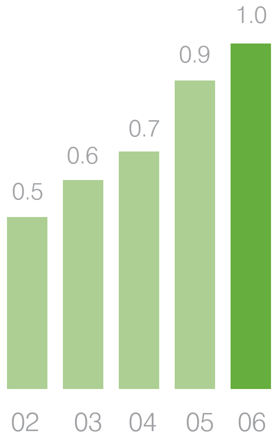
Engineering Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**99,093,676.00**	**117,727,843.51**	**18.80**
A) Premiums	50,453,800.19	64,376,199.52	27.59
B) Commissions	3,438,514.78	3,864,004.60	12.37
C) Retrocessionaires' Share in Losses Paid	6,082,756.19	5,569,889.40	(8.43)
D) Technical Provisions Brought Forward (Net)	29,488,314.02	30,433,523.50	3.21
a) Provision for Unearned Premiums	12,137,242.89	13,312,866.29	9.69
b) Provision for Outstanding Losses	17,351,071.13	17,120,657.21	(1.33)
E) Retrocessionaires' Share in Technical Provisions	8,330,148.24	11,740,169.32	40.94
a) Provision for Unearned Premiums	3,068,038.70	3,664,801.68	19.45
b) Provision for Outstanding Losses	5,262,109.54	8,075,367.64	53.46
F) Other Income	72,928.33	176,732.57	142.34
G) Investment Income Transferred from Non-Technical Account	1,227,214.25	1,567,324.60	27.71
II- Technical Expenses	**102,996,774.68**	**123,872,918.61**	**20.27**
A) Premiums Ceded to Retrocessionaires	12,769,016.79	16,007,454.06	25.36
B) Commissions Paid	18,882,437.33	22,304,179.41	18.12
C) Losses Paid	31,822,969.33	32,319,444.71	1.56
D) Technical Provisions	38,893,839.56	52,408,035.17	34.75
a) Provision for Unearned Premiums	16,380,904.99	21,342,535.81	30.29
b) Provision for Outstanding Losses	22,382,766.75	30,907,357.97	38.09
c) Contingency Fund for Earthquake	130,167.82	158,141.39	21.49
E) Other Expenses	21,439.67	124,990.11	482.99
F) Investment Expenses Transferred to Non-Life Technical Account	607,072.00	708,815.15	16.76
III- Technical Profit/Loss (I-II)	**(3,903,098.68)**	**(6,145,075.10)**	**57.44**

AGRICULTURAL INSURANCE

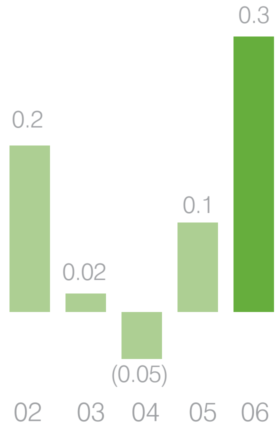
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



Total premium production in agriculture was around TRY 54 million in 2006, with a 12% year-on increase.

The main factors contributing to this growth was the cheap credit made available to producers by the Ministry of Agriculture and Rural Affairs and TARSİM's commencement of policy issuance starting from 1 June 2006. TARSİM (Agricultural Insurance Pool) was set up in accordance with the Agricultural Insurance Law that went into effect on June 14, 2005 which stipulates government support in respect of insurance premiums due from farmers registered in the system.

Based on the fact that the harvest period, due to climatic conditions, coincides with the inception date of TARSİM, it is expected that there will be a more significant increase in premium production for this branch in the years ahead.

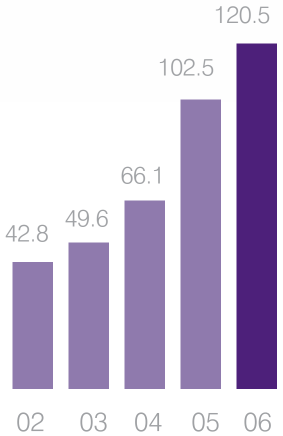
Milli Re's premium in agricultural was TRY 2,381,723 in 2006, representing a year-on increase of 57%, which was way above the market average. The rise in Milli Re's paid losses in this branch was 20% on an annual basis, reaching TRY 1,037,660. This development had a favorable impact on the company's loss ratio in agricultural insurance, which went down by 6 points compared with 2005 and stood at 54%. The retained account for agriculture yielded a profit of TRY 301,336 in 2006.

Profitability Ratios in the Agricultural Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	47	60	71	60	54
Loss Ratio (Net)	54	68	74	59	47
Expense Ratio	23	20	20	19	18
Combined Ratio	70	80	91	79	72

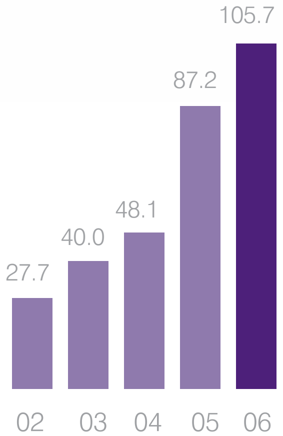
Agricultural Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**2,550,014.84**	**3,749,223.79**	**47.03**
A) Premiums	1,515,476.60	2,381,723.30	57.16
B) Commissions	209,181.00	263,032.93	25.74
C) Retrocessionaires' Share in Losses Paid	385,201.76	452,663.59	17.51
D) Technical Provisions Brought Forward (Net)	230,081.24	233,260.07	1.38
a) Provision for Unearned Premiums	45,485.79	33,500.03	(26.35)
b) Provision for Outstanding Losses	184,595.45	199,760.04	8.22
E) Retrocessionaires' Share in Technical Provisions	178,349.94	368,146.05	106.42
a) Provision for Unearned Premiums	26,889.35	118,357.62	340.17
b) Provision for Outstanding Losses	151,460.59	249,788.43	64.92
F) Other Income	(5,734.28)	3,777.82	+
G) Investment Income Transferred from Non-Technical Account	37,458.58	46,620.03	24.46
II- Technical Expenses	**2,442,920.50**	**3,447,887.98**	**41.14**
A) Premiums Ceded to Retrocessionaires	688,621.90	946,391.05	37.43
B) Commissions Paid	457,197.08	644,399.63	40.95
C) Losses Paid	862,147.10	1,037,660.49	20.36
D) Technical Provisions	411,610.01	778,227.95	89.07
a) Provision for Unearned Premiums	60,389.38	312,454.86	417.40
b) Provision for Outstanding Losses	351,220.63	465,773.09	32.62
E) Other Expenses	4,814.59	20,125.15	318.00
F) Investment Expenses Transferred to Non-Life Technical Account	18,529.82	21,083.71	13.78
III- Technical Profit/Loss (I-II)	**107,094.34**	**301,335.81**	**181.37**

HEALTH INSURANCE

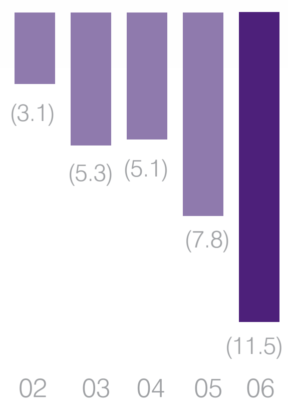
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



There were some important developments in the health branch in 2006 namely:

• The Law Governing General Health Insurance (GHI) which was scheduled to be enforced with effect from 1 January 2007, but was postponed to 1 July 2007 due to the cancellation of some articles by the Constitutional Court in December 2006.

• General conditions for health insurance for travelers were put into effect on 1 March 2006.

• The related insurance companies have been officially informed that the healthcare expenses incurred at emergencies due to traffic accidents are, by law, required to be in line with the amounts stated under the Budgetary Practice Directive (BPD), and therefore, private hospitals may not demand any difference in expenses from patients having private health insurance.

Total number of policies in the health branch in 2006 was 1,483,693 with a corresponding premium of TRY 983 million. The year-on rise in premium production was 23%. As opposed to the trend in the previous years, the price of healthcare services remained below the overall inflation rate and was 8%.

Milli Re's premium production in the health branch amounted to TRY 120,465,076 in 2006 and showed an 18% year-on increase. Paid losses increased by 21 % and materialized as TRY 105,695,106. Gross loss ratio was 91%. Health retained account yielded a negative result of TRY 11,474,397.

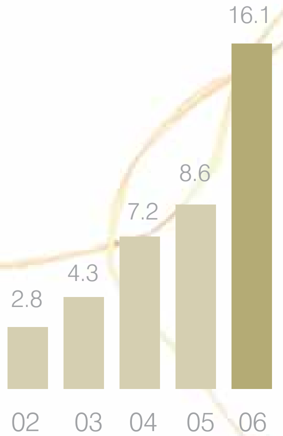
Various measures were taken to mitigate the effects the industry's poor performance in health on Milli Re. In cases where it was not possible to take necessary action, the company withdrew from the related reinsurance contracts. It is expected that the impact of these measures will be seen in the following year.

Profitability Ratios in the Health Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	84	93	92	92	91
Loss Ratio (Net)	83	92	91	92	92
Expense Ratio	25	21	18	18	22
Combined Ratio	109	114	110	110	113

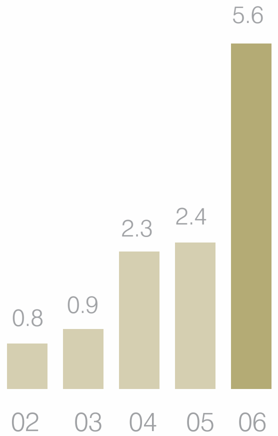
Health Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**146,765,782.45**	**172,880,150.41**	**17.79**
A) Premiums	102,501,099.75	120,465,076.20	17.53
B) Commissions	339,598.93	742,492.25	118.64
C) Retrocessionaires' Share in Losses Paid	2,171,067.91	2,425,880.49	11.74
D) Technical Provisions Brought Forward (Net)	37,697,748.31	44,483,239.78	18.00
a) Provision for Unearned Premiums	30,560,958.04	37,430,192.63	22.48
b) Provision for Outstanding Losses	7,136,790.27	7,053,047.15	(1.17)
E) Retrocessionaires' Share in Technical Provisions	1,986,097.99	1,552,547.51	(21.83)
a) Provision for Unearned Premiums	1,612,942.99	1,049,346.12	(34.94)
b) Provision for Outstanding Losses	373,155.00	503,201.39	34.85
F) Other Income	(754.46)	31,864.48	+
G) Investment Income Transferred from Non-Technical Account	2,070,924.02	3,179,049.70	53.51
II- Technical Expenses	**154,580,388.16**	**184,354,547.42**	**19.26**
A) Premiums Ceded to Retrocessionaires	3,344,679.51	3,030,988.15	(9.38)
B) Commissions Paid	16,526,913.21	23,672,866.22	43.24
C) Losses Paid	87,210,206.15	105,695,106.03	21.20
D) Technical Provisions	46,469,337.77	50,458,595.49	8.58
a) Provision for Unearned Premiums	39,043,135.62	40,139,894.83	2.81
b) Provision for Outstanding Losses	7,426,202.15	10,318,700.66	38.95
E) Other Expenses	4,817.54	59,281.42	1,130.53
F) Investment Expenses Transferred to Non-Life Technical Account	1,024,433.98	1,437,710.11	40.34
III- Technical Profit/Loss (I-II)	**(7,814,605.71)**	**(11,474,397.01)**	**46.83**

LIFE INSURANCE

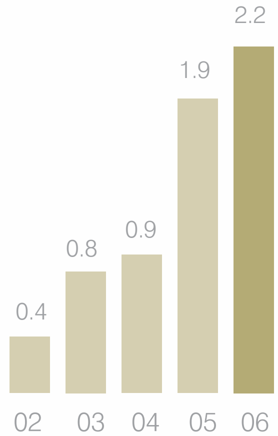
Premium Income
(TRY mn)



Losses Paid
(TRY mn)



Technical Profit/Loss
(TRY mn)



20 life insurance and pension companies were active in the life branch during 2006 out of which 10 are pension companies which also operate in the private pension sector. In addition to these companies, 4 insurance companies operating in non-life branches sustained their life portfolios from the previous years.

Total life premium production in the market in 2006 was TRY 1,386 million, which shows a 12% increase compared with 2005. On the other hand, the number of life insurance policyholders reached 7.4 million at the end of 2006, showing a 32% increase compared with the 5.6 million at the end of 2005.

The most positive development of 2006 for life insurance was the boost in credit life insurance in relation with the housing loans provided by banks. Despite this significant rise, the share of this branch in the total premium income was around 15%, as in 2005. Private pension plans have replaced saving policies, which had previously served as the drivers of the industry but currently facing stagnation.

Milli Re's premium production in the life branch increased by 88% achieving a growth greater than the market, and reached TRY 16,084,073. Gross loss ratio increased by 9 points compared with the previous year, and was 42%. Life insurance retained account yielded a technical profit of TRY 2,155,173.

Profitability Ratios in the Life Branch (%)	2002	2003	2004	2005	2006
Loss Ratio (Gross)	32	24	37	33	42
Loss Ratio (Net)	35	25	39	36	34
Expense Ratio	45	48	42	36	50
Combined Ratio	77	72	79	69	92

Life Branch Technical Results (TRY)	2005	2006	Change (%)
I- Technical Income	**12,156,524.60**	**22,162,301.87**	**82.31**
A) Premiums	8,573,951.52	16,084,073.43	87.59
B) Commissions	357,071.92	182,516.84	(48.89)
C) Retrocessionaires' Share in Losses Paid	144,400.00	809,651.45	460.70
D) Technical Provisions Brought Forward (Net)	2,337,194.51	3,298,373.76	41.13
a) Provision for Unearned Premiums	1,410,228.83	2,071,280.95	46.88
b) Mathematical Reserves (Life)	701,784.86	759,494.57	8.22
c) Provision for Outstanding Indemnities (Life)	225,180.82	467,598.24	107.65
E) Retrocessionaires' Share in Technical Provisions	26,702.67	1,090,982.64	3,985.67
a) Provision for Unearned Premiums	26,702.67	512,016.00	1,817.47
b) Provision for Outstanding Indemnities (Life)	0.00	578,966.64	+
F) Other Income	4,867.88	300.08	(93.84)
G) Investment Income (Life)	712,336.10	696,403.67	(2.24)
II- Technical Expenses	**10,232,049.92**	**20,007,129.18**	**95.53**
A) Premiums Ceded to Retrocessionaires	885,780.70	1,131,364.22	27.73
B) Commissions Paid	3,237,079.33	7,869,479.10	143.10
C) Losses Paid	2,434,202.94	5,626,055.10	131.13
D) Technical Provisions	3,325,076.43	4,960,122.30	49.17
a) Provision for Unearned Premiums	2,097,983.62	2,687,151.07	28.08
b) Mathematical Reserves (Life)	759,494.57	924,970.89	21.79
c) Provision for Outstanding Indemnities (Life)	467,598.24	1,348,000.34	188.28
E) Other Expenses	(94.02)	20,113.25	+
F) Operating Expenses (Life)	350,004.54	399,995.21	14.28
III- Technical Profit/Loss (I-II)	**1,924,474.68**	**2,155,172.69**	**11.99**

AN EVALUATION OF 2006 FINANCIAL RESULTS

Financial Results (TRY)	2005	2006	Change (%)
I- Financial Income	**82,665,716.46**	**96,418,078.71**	**16.64**
Interest Income	61,003,835.65	61,145,797.67	0.23
Profit Share Income	609,436.63	4,542,889.33	645.42
Sales Profits	3,395,370.61	4,653,632.34	37.06
Rental Income	7,059,465.24	7,546,438.37	6.90
Currency Translation Gains	6,341,022.84	18,457,957.04	191.09
Comp. Earthquake Ins. Management Fees	4,031,337.00	0.00	(100.00)
Other Income	225,248.49	71,363.96	(68.32)
II- Financial Expenses	**36,013,569.38**	**33,770,321.52**	**(6.23)**
Sales Losses	4,370,781.66	2,695,361.93	(38.33)
Currency Translation Losses	8,806,735.83	6,798,863.07	(22.80)
Impairment Provisions	4,459,476.75	339,864.71	(92.38)
Comp. Earthquake Ins. Management Expenses	47,859.92	0.00	(100.00)
Tax Provisions	18,249,285.56	16,662,510.04	(8.70)
Other Expenses	79,429.66	7,273,721.77	9,057.44
III- General Expenses	**36,041,280.99**	**18,950,609.02**	**(47.42)**
Personnel Expenses	7,297,951.47	7,703,835.04	5.56
Administrative Expenses	1,787,173.96	2,956,442.35	65.43
Taxes and Other Obligations	23,892,722.27	5,736,158.49	(75.99)
Amortisation Expenses	2,768,393.87	2,262,332.56	(18.28)
Provision for Employment Termination Benefits	295,039.42	291,840.58	(1.08)
IV- Financial Profit/loss (I-II-III)	**10,610,866.09**	**43,697,148.17**	**311.82**

In accordance with the new uniform chart of accounts for the insurance industry that was put in effect as of 1 January 2005, part of the income and expense items for the year 2006 were transferred to the technical accounts for the related branches. Detailed information on this application is presented in the section titled “Notes to the Income Statement for 2006” of this Annual Report.

In 2006, the company’s financial income was TRY 96,418,078, signifying a year-on rise of 16.64%. There was no major change in the interest income item compared with the previous year, however profit share income displayed a striking increase by 645.42%, largely due to the profit shares from the affiliates that was acquired through the merger with Destek Re in 2005.

As the company’s sales profits grew 37.06% resulting from the trading of the stocks in the investment portfolio, the limited increase in the company’s rental income of 6.9% was due to the sales of some real estates, which had been kept for investment purposes, towards the end of 2006.

The rapid rise in exchange rates in the second quarter of 2006 resulted in a 191.99% sharp increase in the company’s currency translation gains compared with the prior year. Since the management of TCIP was transferred to another insurance company in 2005, Milli Re received no management fee for TCIP in 2006.

In the reporting period, the company’s financial expenses dropped by 6.23% compared with 2005, and materialized as TRY 33,770,321. There was a significant decrease in the losses from the sale of stocks and currency translation losses, as well as in provisions for doubtful receivables. In addition, in accordance with the new Corporate Tax Law that was put into force on 1 January 2006, the provisional corporate tax ratio was reduced to 20%. However, because of the fact that TRY 6,626,476 of the acquisition premium arising from the company’s merger with Destek Re in 2005 was written off in 2006, only a limited reduction was achieved in the company’s financial expenses.

The company’s general expenses in 2006 were reduced by 47.42% compared with 2005 and materialized as TRY 18,950,609. Due to the termination of the company’s liabilities arising from the contract, which was signed on 22nd April 1992 with the Undersecretariat of Treasury, as of 31 March 2005, there was a 75.99% reduction in taxes and other obligations in 2006 as compared to 2005.

Sales charges and the commissions arising from the sale of real estates in 2006 increased administrative expenses by 65.43%, while these sales led to an 18.28% decline in the company’s amortization expenses.

At the bottom line, the company was able to increase its financial profit to TRY 43,697,148 in 2006, with a 311.82% rise compared with the 2005 figure of TRY 10,610,866. Sale profits of TRY 38,220,667 generated by the sale of real estates during 2006 are followed under the shareholders’ equity account, and have no impact on the company’s 2006 income statement.

MAIN FINANCIAL FIGURES

(TRY)	2002	2003	2004	2005	2006
Assets					
Cash and Cash Equivalents	59,142,024.73	66,593,653.24	120,370,423.31	267,895,204.47	366,211,357.10
Securities	118,054,755.76	249,063,576.74	346,881,094.01	314,034,502.11	406,379,771.46
Affiliates and Subsidiaries	42,200.00	42,200.00	38,000.00	138,420,403.32	129,358,928.61
Fixed Assets	39,558,581.50	56,532,514.15	61,931,913.95	120,899,723.80	85,441,669.48
Doubtful Receivables (Net)	0.00	0.00	0.00	0.00	0.00
Total Assets	329,144,276.84	454,426,544.43	616,430,829.57	995,743,137.60	1,132,446,702.13
Liabilities					
Technical Provisions	200,467,316.31	299,307,295.94	386,685,062.20	488,780,518.08	556,400,818.43
Shareholders' Equity*	92,754,327.20	118,778,892.62	183,200,061.17	465,702,249.22	536,666,853.19
Income and Expenses Items					
Technical Income	528,379,099.05	705,568,273.26	903,753,011.62	1,204,177,461.25	1,409,813,980.59
Technical Expenses	509,475,682.59	737,605,754.81	917,597,388.77	1,177,867,202.10	1,405,097,993.67
Technical Profit/Loss	18,903,416.46	(32,037,481.55)	(13,844,377.14)	26,310,259.15	4,715,986.92
Financial Income	43,654,205.66	81,918,737.24	95,549,545.42	82,665,716.46	96,418,078.71
Financial Expenses	33,820,248.58	30,293,314.98	24,284,028.87	36,013,569.38	33,770,321.52
General Expenses	11,725,696.79	16,682,716.82	45,846,359.04	36,041,280.99	18,950,609.02
Financial Profit/Loss	(1,891,739.71)	34,942,705.44	25,419,157.51	10,610,866.09	43,697,148.17
Profit/Loss for the Period	17,011,676.75	2,905,223.89	11,574,780.37	36,921,125.24	48,413,135.09

* Including Profit for the Period

FINANCIAL RATIOS

(%)	2002	2003	2004	2005	2006
Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	342	402	314	155	159
Shareholders' Equity/Total Assets	28	26	30	47	47
Shareholders' Equity/Net Technical Provisions	46	40	47	95	96
Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	54	69	76	58	68
Liquidity Ratio	96	121	137	136	158
Current Ratio	147	150	158	151	174
Receivables From Technical Operations/Total Assets	28	17	12	7	7
Operational Ratios					
Retention Ratio	84	86	85	88	87
Paid Claims/Paid Claims+Outstanding Claims	64	69	69	70	67
Profitability Ratios					
Loss Ratio (Gross)	66	68	70	68	74
Loss Ratio (Net)	67	73	74	73	77
Expense Ratio	24	26	23	22	23
Combined Ratio	90	94	93	90	97
Profit Before Tax/Gross Premiums	13	3	4	8	8
Gross Financial Profit/Gross Premiums	7	10	6	4	7
Technical Profit/Gross Premiums	6	(7)	(2)	4	1

Volatilities in financial markets both in Turkey and abroad in recent years as well as catastrophic disasters have made effective risk management an issue of utmost importance for the insurance industry worldwide. As insurance by definition is a risk-focused business, the implementation of the risk management systems and processes in insurance and reinsurance companies has become relatively important for monitoring more systematically and closely the risks which the companies may be exposed to.

Our company's risk management unit is separated from the executive functions. The purpose of the risk management system established in our company is to effectively measure the risks arising from company's balance-sheet and off-balance-sheet activities and take relevant precautions. Risk management process consists of identifying, defining, measuring, controlling, monitoring and reporting the risks, and also includes the phases of forming risk policies and application principles and putting them into practice. Company's risk policies, risks that the company is exposed to, risk limits, plans in case of limit violations and risk measurement methods are detailed in "Risk Management Guide" and "Application Principles In Respect of Risk Limits" that are approved by the Board of Directors. "Company Risk Catalog", which aims to form a common terminology in the company and in which risks are classified and defined by examples, is updated every year in accordance with the activities of the company.

Risk Committee: The function of the committee is to evaluate the activities of the Risk Management Unit based on the "Risk Management Guide" and monitor the implementation of these guidelines throughout the company.

Risk Management Unit: The duties and responsibilities of the Risk Management Unit, which is a separate body, independent of the executive functions, are as follows:

- To define, measure, analyze, monitor and report risks
- To announce risk management principles, procedures and policies to the company
- To determine the capital amount which have to be allocated as per exposed risks
- To develop risk management techniques and methods
- To carry out reporting and monitoring activities in respect of risk management

Basic Risks and Measuring Methods

Reputation Risk: Qualitative methods are used to measure the level of this risk, which expresses the probable loss arising from losing confidence or reputation as a result of unsuccessful activities or noncompliance with the current legal regulations. The impact and probability level of the risk is determined via "Questionnaire" and/or "Interview" methods. The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Business Environment Risk: Qualitative methods are used to measure the level of this risk, which expresses the negative influence on the company's functioning capacity, arising from external factors in the company's operation areas. The impact and probability level of the risk is determined via "Questionnaire" and/or "Interview" methods. The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Strategy Risk: This risk, which arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities, cannot be expressed as a numerical value. However, in order to keep it under control, underwriting limits, retentions and retrocession cover are stated within the context of "Application Principles In Respect of Risk Limits". The report, which includes the company's underwriting portfolio, the amount of reinsurance protection purchased, estimated premium income, overdue receivables and considerations regarding the risk of excessive increase of the premium, is submitted to the Board of Directors.

Market Risk: This risk expresses the probability of loss because of the interest rate risk, currency risk and equity position risk occurring in the financial position of the company due to the interest, currency and price changes arising from the volatilities in financial markets. The said risk is measured by using a method named Value at Risk. This method measures the maximum loss, which the company's portfolio may be exposed to as a result of negative changes arising from the volatilities in interest rates, currencies and equity prices, in a given time period and using a given confidence level.

While calculating Value at Risk, Historical Simulation Method, which creates different scenarios using the past data, is applied and a confidence level of 99% and one day holding period are taken as basis. In addition to the daily calculated Value at Risk, the tests which are mentioned here below are applied monthly:

- Back Testing
- Stress Tests
- Scenario Analysis

These tests, which are the supporting factors of Value at Risk method in calculating the loss caused by unexpected and extraordinary situations, aim to test the accuracy of the measurement results and to monitor the sensitivity of the company portfolio to the changes in basic risk factors.

The report, which includes the measurement and test results in respect of Value at Risk, is submitted to the Board of Directors. The action plan in respect of the market risk is determined by the Risk Committee and a report regarding the developments is submitted to the Board of Directors.

Liquidity Risk: This risk, which is considered within the context of market risk, expresses the probability of insolvency of the company. The liquidity deficit of the company is monitored by way of maturity analysis of the assets and liabilities in the balance sheet. The report in respect of the results is submitted to the Board of Directors.

Credit Risk: This risk expresses the probability of loss arising from the full or partial default of the counterparties which have a business relationship with our company. To measure the credit risk, together with the information obtained from the relevant departments, the ratings of the reinsurance companies determined by the international rating agencies are considered. In respect of the said risk, the structure of the reinsurance protection programs purchased, limits, changes in the capacities, concentration of reinsurers in the programs, their ratings which indicate the financial strength and overdue receivables are examined by the Risk Management Unit and the report in respect of the results is submitted to the Board of Directors.

Operational Risks: This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, business interruption, process changes, incorrect internal/external reporting or external factors occurring while the company executes its vital functions necessary for business continuity. Qualitative and quantitative methods are used together in measuring the operational risks.

“Questionnaire” and “Interview” methods, which provide the determination of the risks in respect of executed activities via the participation of the staff responsible for the relevant activity, are used and then impact-probability analysis is implemented. The report in respect of the results is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Calculating the Capital Adequacy

The capital adequacy of the company is measured in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance and Private Pension Companies and the results are reported to the Board of Directors. The method, which is used in accordance with this regulation, enables calculation of the required capital by taking all the risks of the company into consideration separately.

INTERNAL AUDIT

With the current business environment, economic pressures and high competition in mind, it is crucially important that the company's activities are being carried out efficiently and effectively. The Internal Audit Department's policy, which steps in at this point, is to provide independent and objective verification and guidance with the aim of furthering the company's activities and adding value to them, rather than adopting an approach that focuses on strict audit and error-finding.

To ensure that its activities are conducted independently and objectively, the Internal Audit Department reports directly to the Board of Directors.

The purpose of internal audit is to ensure that the work and transactions of the company are carried out in accordance with the current laws, regulations, communiqués, resolutions, circulars, general terms, and other applicable legislation, as well as the company's internal guidelines, its management strategy and policy; and to detect and to prevent any irregularities, mistakes, or fraud through continuous monitoring.

On-site inspection of all assets, accounts and records, documents and personnel, and other elements that might affect the security of the company; examining whether the administrators and staff are successful in relation to their given targets; asking the personnel for their account on the audited issues; and warning other departments of the company when necessary are within the scope of internal audit.

All conclusions should be based on material proofs to the extent possible. In cases where material proofs cannot be obtained, the policy is to explain the reasons why that conclusion is drawn. It is important to be objective and reasonable.

In 2006, the Internal Audit Department has completed on-site inspection of all departments of the company by way of observation, interview and data analysis. All audit results have been stated in a report and all reports have been submitted to the Board of Directors following the receipt of the comments and justifications made by the concerned department and the related Assistant General Manager.

The Internal Audit Department serves efficiently and effectively with the support and approval of the management and cooperation of the employees in fulfilling the purpose of furthering the company's activities and adding value to them.

INDEPENDENT AUDITOR'S REPORT

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD 01.01.2006 – 31.12.2006

To the Board of Directors,
Millî Reasürans Türk Anonim Şirketi

We have audited the accompanying financial statements of Millî Reasürans Türk A.Ş. as of 31 December 2006. These financial statements are the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing and accounting standards defined in the Insurance Supervision Law Number 7397. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millî Reasürans Türk Anonim Şirketi as of 31 December 2006 and the results of its operations for the year then ended, in conformity with the accounting principles and standards defined in the Insurance Supervision Law Number 7397.

M.G.I. BAĞIMSIZ DENETİM VE DANIŞMANLIK A.Ş.

ERHAN ÖZDEMİR
Managing Partner
İstanbul, 16 February 2007

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

INCOME STATEMENT 01.01.2006-31.12.2006 (TRY)

I- TECHNICAL ACCOUNT	Note	Current Period	Previous Period
A- Non-Life Technical Income		**744,626,428.19**	**631,917,061.04**
1- Earned Premiums (Net of Reinsurance)		711,768,613.55	611,359,972.93
1.1- Written Premiums (Net of Reinsurance)		731,163,168.06	626,115,462.07
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		(19,394,554.51)	(14,755,489.14)
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)			
2- Investment Income Transferred from Non-Technical Account	1	22,200,068.67	17,837,416.42
3- Other Technical Income (Net of Reinsurance)	2	10,657,745.97	2,719,671.69
B- Non-Life Technical Expenses (-)		**(742,065,613.96)**	**(607,531,276.57)**
1- Losses Incurred (Net of Reinsurance)		(554,861,755.42)	(451,811,287.94)
1.1- Losses Paid (Net of Reinsurance)		(511,378,469.90)	(432,918,905.28)
1.2- Change in Provision for Outstanding Losses (Net of Reinsurance) (+/-)		(43,483,285.52)	(18,892,382.66)
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)			
3- Change in Other Technical Provisions (Net of Reinsurance) (+/-)	3	(5,320,212.19)	(4,781,971.40)
4- Operating Expenses (-)	4	(181,883,646.35)	(150,938,017.23)
C- Balance on Non-Life Technical Account (A - B)		**2,560,814.23**	**24,385,784.47**
D- Life Technical Income		**15,545,558.84**	**7,744,322.68**
1- Earned Premiums (Net of Reinsurance)		14,848,855.09	7,027,118.70
1.1- Written Premiums (Net of Reinsurance)		14,952,709.21	7,688,170.82
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		(103,854.12)	(661,052.12)
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)			
2- Investment Income		696,403.67	712,336.10
3- Unrealized Profits on Investments			
4- Other Technical Income (Net of Reinsurance)	5	300.08	4,867.88
E- Life Technical Expenses		**(13,390,386.15)**	**(5,819,848.00)**
1- Claims Incurred (Net of Reinsurance)		(5,117,839.11)	(2,532,220.36)
1.1- Claims Paid (Net of Reinsurance)		(4,816,403.65)	(2,289,802.94)
1.2- Change in Provision for Outstanding Indemnities (Net of Reinsurance) (+/-)		(301,435.46)	(242,417.42)
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)			
3- Change in Mathematical Reserves (Net of Reinsurance) (+/-)		(165,476.32)	(57,709.71)
4- Change in Provision for Investment Risk at Life Insurance Policyholders (Net of Reinsurance) (+/-)			
5- Change in Other Technical Provisions (Net of Reinsurance) (+/-)			
6- Operating Expenses (-)	6	(8,107,070.72)	(3,229,917.93)
7- Investment Expenses (-)			
8- Unrealized Losses on Investments			
9- Investment Income Transferred to Non-Technical Account			
F- Balance on Life Technical Account (D – E)		**2,155,172.69**	**1,924,474.68**
G- Pension System Technical Income		**0.00**	**0.00**
1- Fund Management Income			
2- Management Expenses Deduction			
3- Entrance Fee Income			
4- Management Expenses Deduction for Temporary Suspension			
5- Special Service Fees			
6- Capital Allocation Advance Appreciation Income			
7- Other Technical Income			
H- Pension System Technical Expenses		**0.00**	**0.00**
1- Fund Management Expenses (-)			
2- Capital Allocation Advance Depreciation Expenses			
3- Operating Expenses (-)			
4- Other Technical Expenses (-)			
I- Balance on Pension System Technical Account (G – H)		**0.00**	**0.00**

INCOME STATEMENT 01.01.2006-31.12.2006 (TRY)

II- NON-TECHNICAL ACCOUNT	Note	Current Period	Previous Period
C- Balance on Non-Life Technical Account		**2,560,814.23**	**24,385,784.47**
F- Balance on Life Technical Account		**2,155,172.69**	**1,924,474.68**
I - Balance on Pension System Technical Account		**0.00**	**0.00**
J- Balance on Technical Account (C+F+I)		**4,715,986.92**	**26,310,259.15**
K- Investment Income		**119,785,082.42**	**97,727,632.70**
1- Income from Financial Investments	7	60,165,145.05	62,228,709.03
2- Profits from Realization of Financial Investments		20,836,387.93	14,058,757.30
3- Valuation of Financial Investments		973,408.09	4,202,394.47
4- Currency Translation Gains		23,072,446.05	7,926,278.55
5- Income from Affiliates		5,678,611.63	761,795.79
6- Income from Subsidiaries and Joint-Ventures			
7- Income from Land and Buildings		8,784,737.37	8,540,550.55
8- Income from Derivatives		274,346.30	
9- Other Investments		0.00	9,147.01
10- Investment Income Transferred from Life Technical Account			
L- Investment Expenses (-)		**(51,591,361.11)**	**(68,280,343.18)**
1- Investment Management Expenses-Interest Included (-)	8	(17,634,734.88)	(34,497,015.40)
2- Investments Depreciation (-)			
3- Losses from Realization of Financial Investments (-)		(2,695,361.93)	(4,370,781.66)
4- Investment Income Transferred to Non-Life Technical Account (-)	9	(22,200,068.67)	(17,837,416.42)
5- Losses from Derivatives (-)			
6- Currency Translation Losses (-)		(6,798,863.07)	(8,806,735.83)
7- Amortisation Expenses (-)		(2,262,332.56)	(2,768,393.87)
8- Other Investment Expenses (-)			
M- Income and Expenses from Other and Extraordinary Operations (+/-)		**(7,834,063.10)**	**(587,137.87)**
1- Provisions (+/-)	10	(631,705.29)	(4,754,516.17)
2- Rediscounts (+/-)			
3- Compulsory Earthquake Insurance (+/-)			3,983,477.08
4- Inflation Adjustment (+/-)			
5- Deferred Tax Asset (+/-)			
6- Deferred Tax Obligations Expenses (-)			
7- Other Income and Profits	11	71,363.96	225,248.49
8- Other Expenses and Losses (-)	12	(7,273,721.77)	(41,347.27)
9- Prior Year's Income and Profits			
10- Prior Year's Expenses and Losses (-)			
N- Net Profit/Loss for the Period		**48,413,135.09**	**36,921,125.24**
1- Profit/Loss for the Period		65,075,645.13	55,170,410.80
2- Taxes and Legal Obligations Payable (-)		(16,662,510.04)	(18,249,285.56)
3- Net Profit/Loss for the Period		48,413,135.09	36,921,125.24
4- Inflation Adjustment			

NOTES TO THE INCOME STATEMENT

1. TRY 22,200,068.67 being followed under investment income from non-technical account involves the transfer of 20% of the amounts under financial income items in accordance with the Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as from January 1st 2005.

SOURCE OF INCOME	TRANSFERRED VALUE (TRY)
Stocks	968,726.52
Treasury Bills	1,126,730.03
Government Bonds	1,909,650.41
Bank Deposits	7,991,649.33
Other Financial Assets	36,272.67
Mutual Funds	5,693.84
Repurchase Agreements	4,161,583.66
Stock Valuation	194,681.64
Currency Translation Gains	4,614,489.01
Profit Shares	1,135,722.30
Option Premium	54,869.26
TOTAL	**22,200,068.67**

2. TRY 10,657,745.97 under other technical income includes interest accruing from reserves with insurance and reinsurance companies (TRY 2,789,652.08), currency translation differences (TRY 4,774,454.55), management commission and expenses collected regarding pools accounts managed by ourselves (TRY 2,586,217.02) and other income items (TRY 507,422.32).

3. TRY 5,320,212.19 reflected under change in other technical provisions is contingency fund for earthquake.

4. The amount of TRY 181,883,646.35 followed under operating expenses account is the sum of net commissions (TRY 169,000,394.23), and the transfer of 50% of the financial expenses items to the related technical accounts (TRY 10,039,874.60) which has been made in accordance with Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as of January 1st 2005, and other expenses (TRY 2,843,377.52).

5. TRY 300,08 under other technical income includes income from the interest accruing from reserves with insurance and reinsurance companies.

6. Operating expenses of TRY 8,107,070.72 are shown in the table below:

OPERATING EXPENSES	TRY
Acquisition Expenses	7,869,479.10
Personnel Expenses	399,618.02
Administrative Expenses	377,19
Reinsurance Commissions	(182,516.84)
Other Operating Expenses	20,113.25
TOTAL	**8,107,070.72**

7. Income from financial investments is as follows:

INCOME FROM FINANCIAL INVESTMENTS	TRY
Income from Sales of Stocks	4,843,632.41
Interest Income from Treasury Bills	5,633,650.19
Interest Income from Government Bonds	6,805,462.83
Interest Income from Eurobonds	2,742,790.42
Interest Income from Bank Deposits	39,958,245.84
Interest Income Due From Personnel	3,519.86
Other Interest Income	1,207.67
Lending Commission Income	176,635.83
TOTAL	**60,165,145.05**

Stocks are valued at the best price determined in Istanbul Securities Exchange Market prior to the drawing up of the balance sheet. Government bonds and treasury bills are valued on the basis of weighted average of prices determined in Istanbul Securities Exchange Market and published in the Official Gazette. The valuation of eurobonds is made at the buying rate of exchange of Turkish Central Bank and on the rediscount on coupons interest income.

8. Investment management expenses are as follows:

INVESTMENT MANAGEMENT EXPENSES	TRY
Personnel Expenses	7,703,835.04
Administrative Expenses	3,574,337.37
Outsourcing Expenses	589,973.10
Other Operating Expenses	5,736,158.49
Other Investment Management Expenses	29,831.83
Rental Expenses (Leasing)	599.05
TOTAL	**17,634,734.88**

TRY 5,736,158.49 followed under other operating expenses account consists of insurance transactions tax with a value of TRY 3,796,186.39 and other liabilities being TRY 1,939,972.10.

9. TRY 22,200,068.67 encompasses the transfer of 20% of some financial income items detailed in note No.1 to the related technical accounts in accordance with Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as of January 1st 2005.

10. The amount of TRY 631,705.29 is composed of the sum of the provision for employment termination benefits (TRY 291,840.58) and provision for doubtful receivables (TRY 339,864.71).

11. Other income and profits with a value of TRY 71,363.96 consist of incidental income items.

12. Other expenses and losses with a value of TRY 7,273,721.77 encompass the part of the acquisition premium written off in 2006 being TRY 6,626,476.70, relating to the acquisition of Destek Reasürans T.A.Ş. by Millî Reasürans T.A.Ş. in 2005 and the items which are non-assessable or disallowed amounting to TRY 647,245.07.

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

BALANCE SHEET 31 DECEMBER 2006 (TRY)

ASSETS	Note	31.12.2006	31.12.2005
I- Current Assets			
A- Cash and Cash Equivalents		**366,211,357.10**	**267,895,204.47**
1- Cash		16,271.94	36,245.45
2- Cheques Received		70,002.00	56,455.00
3- Banks	1	366,125,083.16	267,898,543.74
4- Cheques Given and Payment Orders (-)		0.00	(96,039.72)
5- Other Cash and Cash Equivalents			
B- Financial Assets and Financial Investments at Insureds' Risk		**406,379,771.46**	**314,034,502.11**
1- Financial Assets Available-for-sale			
2- Financial Assets Held to Maturity			
3- Trading Financial Assets	2	406,379,771.46	314,034,502.11
4- Loans			
5- Provision for Loans (-)			
6- Financial Investments at Life Insurance Policyholders' Risk			
7- Company's Share			
8- Provision for Diminution in Value of Financial Assets (-)			
C- Receivables from Technical Operations		**79,563,126.93**	**67,127,867.43**
1- Due from Insurance Operations			
2- Provision for Due from Insurance Operations (-)			
3- Due from Reinsurance Operations	3	38,779,648.62	28,593,057.09
4- Provision for Due from Reinsurance Operations (-)			
5- Reserves with Insurance&Reinsurance Companies	4	40,783,478.31	38,534,810.34
6- Loans and Mortgages to Insureds			
7- Provision for Loans and Mortgages to Insureds (-)			
8- Due from Pension Operations			
9- Doubtful Receivables from Operations			
10- Provision for Doubtful Receivables from Operations (-)			
D- Receivables from Related Parties		**29,240.71**	**685,604.27**
1- Due from Shareholders			
2- Due from Affiliates			
3- Due from Subsidiaries			
4- Due from Joint-Ventures			
5- Due from Personnel		14,896.00	681,763.65
6- Due from Other Related Parties		14,344.71	3,840.62
7- Rediscount on Due from Related Parties (-)			
8- Doubtful Receivables from Related Parties			
9- Provision for Doubtful Receivables from Related Parties (-)			
E- Other Receivables		**2,755.52**	**393.13**
1- Leasing Receivables			
2- Unearned Leasing Interest Income (-)			
3- Deposits and Guarantees Given		2,755.52	393.13
4- Other Receivables			
5- Rediscount on Other Receivables (-)			
6- Other Doubtful Receivables			
7- Provision for Other Doubtful Receivables (-)			
F- Prepaid Expenses for Future Months and Income Accruals		**2,654,805.79**	**5,237,646.39**
1- Prepaid Expenses for Future Months			
2- Accrued Interest and Rental Income			
3- Income Accruals	5	2,654,805.79	5,237,646.39
4- Other Prepaid Expenses for Future Months and Other Income Accruals			
G- Other Current Assets		**3,161,925.88**	**15,162,160.05**
1- Inventories		0.00	40,668.71
2- Prepaid Taxes and Funds	6	2,304,783.79	9,593,347.54
3- Deferred Tax Assets			
4- Work Advances		21,912.42	
5- Advances to Personnel		192,940.00	
6- Inventory Shortages			
7- Other Current Assets	7	642,289.67	5,528,143.80
8- Provision for Other Current Assets (-)			
I- Total Current Assets		**858,002,983.39**	**670,143,377.85**

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

BALANCE SHEET 31 DECEMBER 2006 (TRY)

ASSETS	Note	31.12.2006	31.12.2005
II- Non-Current Assets			
A- Receivables from Technical Operations		**0.00**	**0.00**
1- Due from Insurance Operations			
2- Provision for Due from Insurance Operations (-)			
3- Due from Reinsurance Operations			
4- Provision for Due from Reinsurance Operations (-)			
5- Reserves with Insurance&Reinsurance Companies			
6- Loans and Mortgages to Insureds			
7- Provision for Loans and Mortgages to Insureds (-)			
8- Due from Pension Operations			
9- Doubtful Receivables from Operations	8	8,900,645.94	8,561,092.23
10- Provision for Doubtful Receivables from Operations (-)		(8,900,645.94)	(8,561,092.23)
B- Receivables from Related Parties		**0.00**	**14,865.67**
1- Due from Shareholders			
2- Due from Affiliates			
3- Due from Subsidiaries			
4- Due from Joint-Ventures			
5- Due from Personnel			14,865.67
6- Due from Other Related Parties			
7- Rediscount on Due from Related Parties (-)			
8- Doubtful Receivables from Related Parties			
9- Provision for Doubtful Receivables from Related Parties (-)			
C- Other Receivables		**0.00**	**0.00**
1- Leasing Receivables			
2- Unearned Leasing Interest Income (-)			
3- Deposits and Guarantees Given			
4- Other Receivables			
5- Rediscount on Other Receivables (-)			
6- Other Doubtful Receivables	9	11,136.31	11,136.31
7- Provision for Other Doubtful Receivables (-)		(11,136.31)	(11,136.31)
D- Financial Assets	**10**	**129,358,928.61**	**138,420,403.32**
1- Long Term Securities		22,044,754.33	18,056,815.16
2- Affiliates		106,567,967.61	119,915,219.61
3- Capital Commitments for Affiliates (-)			
4- Subsidiaries		746,206.67	448,368.55
5- Capital Commitments for Subsidiaries (-)			
6- Joint-Ventures			
7- Capital Commitments for Joint-Ventures (-)			
8- Financial Assets and Financial Investments at Insureds' Risk			
9- Other Financial Assets			
10- Provision for Diminution in Value of Financial Assets (-)			
E- Tangible Assets	**11**	**85,401,864.06**	**120,870,742.93**
1- Real Estate Investments		61,500,495.61	70,645,808.38
2- Provision for Diminution in Value of Real Estate Investments (-)			
3- Company Occupied Real Estate		31,392,944.97	58,747,473.04
4- Machinery and Equipment			
5- Fixtures and Furniture		1,123,243.50	1,418,732.12
6- Motor Vehicles		425,474.05	387,847.15
7- Other Tangible Assets (Including Special Costs)			
8- Leased Assets			
9- Accumulated Amortisation (-)		(9,040,294.07)	(10,329,117.76)
10- Advances Given for Tangible Assets (Including Construction in Progress)			
F- Intangible Assets		**59,678,095.68**	**66,293,747.83**
1- Rights		46,658.53	43,469.13
2- Goodwill			
3- Start-up Costs			
4- Research and Development Expenses			
5- Other Intangible Assets	12	59,638,290.26	66,264,766.96
6- Accumulated Amortisation (-)		(6,853.11)	(14,488.26)
7- Advances Given for Intangible Assets			
G- Prepaid Expenses for Future Years and Income Accruals		**4,830.39**	**0.00**
1- Prepaid Expenses for Future Years			
2- Income Accruals			
3- Other Prepaid Expenses for Future Years and Other Income Accruals		4,830.39	
H- Other Non-Current Assets		**0.00**	**0.00**
1- Effective Foreign Currency Accounts			
2- Foreign Currency Accounts			
3- Inventories for Future Years			
4- Prepaid Taxes and Funds			
5- Deferred Tax Assets			
6-Other Non-Current Assets			
7-Other Non-Current Assets Amortisation (-)			
8- Provision for Diminution in Value of Other Non-Current Assets (-)			
II- Total Non-Current Assets		**274,443,718.74**	**325,599,759.75**

BALANCE SHEET 31 DECEMBER 2006 (TRY)

LIABILITIES	Note	31.12.2006	31.12.2005
III- Short-Term Liabilities			
A- Financial Liabilities		**0.00**	**0.00**
1- Due to Credit Institutions			
2- Leasing Payables			
3- Deferred Leasing Costs (-)			
4- Current Maturities of Long-Term Credits and Accrued Interest			
5- Current Maturities of Issued Bonds and Accrued Interest			
6- Other Issued Financial Assets			
7- Value Difference of Other Issued Financial Assets (-)			
8- Other Financial Payables (Liabilities)			
B- Payables from Operations		**25,594,584.62**	**18,330,639.68**
1- Payables from Insurance Operations			
2- Payables from Reinsurance Operations	13	24,443,484.64	17,389,704.54
3- Reserves of Insurance&Reinsurance Companies	14	1,151,099.98	940,935.14
4- Payables from Pension Operations			
5- Payables from Other Operations			
6- Rediscounts on Other Notes Payable (-)			
C- Due to Related Parties		**138,353.46**	**158,894.33**
1- Due to Shareholders	15	5,415.76	158,894.33
2- Due to Affiliates			
3- Due to Subsidiaries			
4- Due to Joint-Ventures			
5- Due to Personnel			
6- Due to Other Related Parties	16	132,937.70	
D- Other Payables		**0.00**	**140,728.23**
1- Deposits and Guarantees Received			
2- Other Payables			140,728.23
3- Rediscount on Other Payables (-)			
E- Insurance Technical Provisions	**17**	**455,780,541.87**	**392,331,935.94**
1- Provision for Unearned Premiums - Net		239,288,047.21	219,789,638.58
2- Provision for Unexpired Risks - Net			
3- Mathematical Reserves(Life) - Net		924,970.89	759,494.57
4- Provision for Outstanding Losses and Indemnities - Net		215,567,523.77	171,782,802.79
5- Provision for Bonus and Reduction - Net			
6- Provision for Investment Risk at Life Insurance Policyholders - Net			
7- Other Technical Provisions - Net			
F- Taxes Payable and Other Fiscal Liabilities and Provisions		**9,428,824.15**	**18,674,736.33**
1- Taxes and Funds Payable		962,112.90	369,446.14
2- Social Security Withholdings Payable		56,445.33	56,004.63
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities			
4- Other Taxes and Fiscal Liabilities			
5- Provision for Corporate Tax and Other Legal Liabilities		16,662,510.04	18,249,285.56
6- Prepaid Corporate Tax and Other Fiscal Liabilities on Profit (-)		(8,252,244.12)	
7- Provisions for Other Taxes and Fiscal Liabilities			
G- Provisions for Other Risks		**0.00**	**0.00**
1- Provision for Employment Termination Benefits			
2- Provision for Social Benefit Fund Deficits			
3- Provision for Costs			
H- Income Related to Future Months and Expense Accruals		**0.00**	**49,456.30**
1- Income Related to Future Months			40,956.29
2- Expense Accruals			8,500.01
3- Other Income Related to Future Months and Expense Accruals			
I- Other Short-Term Liabilities		**0.00**	**0.00**
1-Deferred Tax Liabilities			
2- Inventory Overages			
3-Other Short-Term Liabilities			
III- Total Short-Term Liabilities		**490,942,304.10**	**429,686,390.81**

BALANCE SHEET 31 DECEMBER 2006 (TRY)

LIABILITIES	Note	31.12.2006	31.12.2005
IV- Long-Term Liabilities			
A- Financial Liabilities		**0.00**	**0.00**
1- Due to Credit Institutions			
2- Leasing Payables			
3- Deferred Leasing Costs (-)			
4- Bonds Issued			
5- Other Issued Financial Assets			
6- Value Difference of Other Issued Financial Assets (-)			
7- Other Financial Payables (Liabilities)			
B- Payables from Operations		**0.00**	**0.00**
1- Payables from Insurance Operations			
2- Payables from Reinsurance Operations			
3- Reserves of Insurance&Reinsurance Companies			
4- Payables from Pension Operations			
5- Payables from Other Operations			
6- Rediscount on Other Notes Payable (-)			
C- Due to Related Parties		**0.00**	**0.00**
1- Due to Shareholders			
2- Due to Affiliates			
3- Due to Subsidiaries			
4- Due to Joint-Ventures			
5- Due to Personnel			
6- Due to Other Related Parties			
D- Other Payables		**0.00**	**0.00**
1- Deposits and Guarantees Received			
2- Other Payables			
3- Rediscount on Other Payables (-)			
E- Insurance Technical Provisions		**100,620,276.56**	**96,448,582.14**
1- Provision for Unearned Premiums - Net			
2- Provision for Unexpired Risks - Net			
3- Mathematical Reserves (Life) - Net			
4- Provision for Outstanding Losses and Indemnities - Net			
5- Provision for Bonus and Reduction - Net			
6- Provision for Investment Risk at Life Insurance Policyholders - Net			
7- Other Technical Provisions - Net	18	100,620,276.56	96,448,582.14
F- Other Liabilities and Provisions		**0.00**	**0.00**
1- Other Liabilities			
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities			
3- Provisions for Other Debts and Expenses			
G- Provisions for Other Risks		**4,197,756.01**	**3,905,915.43**
1- Provision for Employment Termination Benefits		4,197,756.01	3,905,915.43
2- Provision for Social Benefit Fund Deficits			
H- Income related to Future Years and Expense Accruals		**19,512.27**	**0.00**
1- Income Related to Future Years			
2- Expense Accruals			
3- Other Income Related to Future Years and Expense Accruals		19,512.27	
I- Other Long-Term Liabilities		**0.00**	**0.00**
1- Deferred Tax Liabilities			
2- Other Long-Term Liabilities			
IV- Total Long-Term Liabilities		**104,837,544.84**	**100,354,497.57**

BALANCE SHEET 31 DECEMBER 2006 (TRY)

SHAREHOLDER'S EQUITY	Note	31.12.2006	31.12.2005
V- Shareholder's Equity			
A- Paid-Up Capital		**343,000,000.00**	**343,000,000.00**
1- Nominal Capital	19	343,000,000.00	343,000,000.00
2- Unpaid Capital (-)			
3- Capital Reserve Due to Inflation Adjustment of Paid-Up Capital			
4- Capital Reserve Due to Inflation Adjustment of Paid-Up Capital (-)			
B- Capital Reserves		**40,419,867.09**	**2,194,841.31**
1- Share Premium			
2- Share Cancellation Profits			
3- Sales Profits to be Transferred to Share Capital	20	40,419,867.09	2,194,841.31
4- Currency Translation Differences			
5- Other Capital Reserves			
C- Profit Reserves		**104,833,851.01**	**102,039,458.81**
1- Legal Reserves		10,498,709.82	7,755,628.55
2- Statutory Reserves		12,500,000.00	318,173.32
3- Extraordinary Reserves			5,561.05
4- Special Reserves			
5- Valuation of Financial Assets	21	41,369,871.24	53,494,825.94
6- Other Profit Reserves	22	40,465,269.95	40,465,269.95
D- Retained Earnings		**0.00**	**10,225,540.82**
1- Retained Earnings			10,225,540.82
E- Losses from Previous Years (-)		**0.00**	**(28,678,716.96)**
1- Losses from Previous Years			(28,678,716.96)
F- Net Profit for the Period		**48,413,135.09**	**36,921,125.24**
1- Net Profit for the Period		48,413,135.09	36,921,125.24
2- Net Loss for the Period (-)			
Total Shareholder's Equity		**536,666,853.19**	**465,702,249.22**

1. Banks account consists of the sum of deposits of TRY 310,133,413.68 and various foreign currencies of TRY 55,991,669.48 as at 31st December 2006. Time deposits of TRY 363,035,144.29 also include foreign currency time deposits of TRY 52,935,144.29. Banks account also includes contingency fund for earthquake of TRY 38,490,127.99. Banks account is subject to no restrictions except for the guarantee for the letters of credit of TRY 9,500 and USD 5,000 which has been issued for Boğaziçi Elektrik Dağıtım A.Ş.

Breakdown of foreign currency deposit accounts are as follows:

CURRENCY	AMOUNT	RATE	TRY
USD	30,007,022.09	1.4056	42,177,870.26
EURO	4,288,623.22	1.8515	7,940,385.89
GBP	2,129,822.12	2.7569	5,871,706.60
CHF	1,483.73	1.1503	1,706.73
TOTAL			**55,991,669.48**

Foreign currency transactions have been reflected in the accounts at the rates of exchange on transaction dates. Foreign currency deposits and securities have been valued at the buying rate of exchange of Turkish Central Bank prevailing at the balance sheet date and differences as the result of valuation have been reflected in the income statement as currency translation gains / losses.

2. Trading financial assets include stocks of TRY 18,700,694.43, treasury bills and government bonds with a total value of TRY 322,739,749.04, eurobonds with a value of TRY 62,130,148.57, repurchase agreements of TRY 2,209,184.20 and mutual funds with a value of TRY 599,995.22. Trading financial assets of TRY 62,130,148.57 corresponds to the contingency fund for earthquake. There are no restrictions on the aforementioned accounts.

TRY securities as of 31st December 2006 are as follows:

TRY SECURITIES	PURCHASE VALUE (TRY)	BOOK VALUE (TRY)
Treasury Bills	141,757,452.45	146,517,985.80
Government Bonds	167,661,940.40	176,221,763.24
Stocks	17,442,878.73	18,700,694.43
Repurchase Agreements	2,209,184.20	2,209,184.20
Mutual Funds	599,995.22	599,995.22

Eurobonds as of 31st December 2006 are as follows:

EUROBOND	PURCHASE VALUE	RATE	TRY
TR - USD	6,846,104.70	1.4056	9,622,884.77
USBILL - USD	19,960,098.84	1.4056	28,055,914.93
TR - EURO	2,211,220	1.8515	4,094,073.84
GERBILL - EURO	10,995,017.57	1.8515	20,357,275.03

3. Accounts due from reinsurance operations being TRY 38,779,648.62 consists of receivables from domestic insurance companies of TRY 29,921,136.18 and receivables from foreign companies of TRY 8,858,512.44.

4. TRY 40,783,478.31 followed under the reserves with insurance and reinsurance companies account consists of reserves with domestic insurance companies with a value of TRY 16,308,862.64 and reserves with foreign companies of TRY 24,474,615.67.

5. TRY 2,654,805.79 followed under income accrual accounts is composed of interest accruals regarding the financial year 2006 for time deposits having the maturity date 2007 being TRY 2,164,796.14 and the coupon payments of eurobonds regarding the financial year 2006 of TRY 490,009.65.

6. Prepaid taxes and funds constitute an amount of TRY 2,304,783.79 and represent the witholding tax amount related to the income from time deposits, treasury bills, government bonds, stock sales and repurchase agreements.

7. As a result of the overpaid amount of general expenses participation by our tenants being TRY 83,353.46, despite the accrual of personnel’s salaries for the period January 2007 amounting to TRY 724,025.50 and other miscellaneous accounts with a value of TRY 1,617.63, other current assets appeared as TRY 642,289.67.

8. TRY 8,900,645.94 followed under doubtful receivables from operations consists of receivables from foreign companies of TRY 2,047,805.61 and receivables from domestic insurance companies of TRY 6,852,840.33. 100% provision was set aside for this item.

9. Other doubtful receivables of TRY 11,136.31 consists of uncollected rent amount from third parties. 100% provision was set aside for this item.

10. Long term securities, affiliates and subsidiaries as at 31.12.2006 are followed under financial assets account with our percentage shares as below:

FINANCIAL ASSETS	BOOK VALUE (TRY)	MİLLİ RE'S SHARE (%)
Anadolu Anonim Türk Sigorta Şirketi	104,108,396.45	21.780
T. Sınai Kalkınma Bankası A.Ş.	9,536,823.62	1.204
Anadolu Hayat Emeklilik A.Ş.	8,574,999.51	1.000
İş Girişim Sermayesi Yatırım Ort. A.Ş.	3,840,000.00	4.444
Koç Allianz Sigorta A.Ş.	1,843,415.65	2.847
Miltaş Turizm İnşaat Tic A.Ş.	746,206.67	77.000
İşnet Elekt. Bilgi Üretim Dağ. Tic. ve İletişim Hizm. A.Ş.	278,907.79	1.000
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	133,708.73	0.019
Güven Sigorta T.A.Ş.	98,548.17	0.049
Anadolu Cam Sanayi A.Ş.	92,931.20	0.011
Axa Oyak Sigorta A.Ş.	34,206.63	0.002
Cam Pazarlama A.Ş.	23,895.58	0.003
İş Merkezleri Yönetim A.Ş.	23,890.29	0.694
Miltaş Sigorta Aracılığı A.Ş.	16,663.27	6.000
Çayırova Cam Sanayi A.Ş.	3,878.50	0.021
Camiş Menkul Değerler A.Ş.	2,456.55	0.052
TOTAL	**129,358,928.61**	

11. Buildings followed under the tangible assets account have a net book value of TRY 84,731,491.94 and book value of the land is TRY 107.73. All tangible assets are insured in full and on due dates. Amortisation procedures have been followed in accordance with Capital Market Board Communiqué Series XI No.25. There is no restriction on tangible assets.

REAL ESTATE INVESTMENTS

REAL ESTATE	BOOK VALUE (TRY)	ACCUMULATED AMORTISATION (TRY)	NET BOOK VALUE (TRY)
Suadiye Sports Center	8,770,566.35	980,583.40	7,789,982.95
Villa Office Building	1,854,863.58	243,973.02	1,610,890.56
Parking Garage	3,362,773.24	417,805.64	2,944,967.60
Head Office Building	27,354,528.07	2,399,250.77	24,955,277.30
Automatic Parking Garage	19,665,158.71	1,280,488.13	18,384,670.58
Melis Apartment in Şişli	492,497.93	86,281.82	406,216.11
TOTAL	**61,500,387.88**	**5,408,382.78**	**56,092,005.10**

REAL ESTATE OCCUPIED BY COMPANY

REAL ESTATE	BOOK VALUE (TRY)	ACCUMULATED AMORTISATION (TRY)	NET BOOK VALUE (TRY)
Head Office Building	31,392,944.97	2,753,458.13	28,639,486.84
TOTAL	**31,392,944.97**	**2,753,458.13**	**28,639,486.84**

12. Other intangible assets with a value of TRY 59,638,290.26 is the acquisition premium relating to the acquisition of Destek Reasürans T.A.Ş. by Millî Reasürans T.A.Ş. in 2005.

13. TRY 24,443,484.64 followed under payables from reinsurance operations includes payables from domestic insurance companies with a value of TRY 21,246,113.08 and payables from foreign companies with a value of TRY 3,197,371.56.

14. TRY 1,151,099.98 followed under reserves from insurance and reinsurance companies is the sum of reserves from domestic insurance companies being TRY 1,030,151.29 and reserves from foreign companies of TRY 120,948.69.

15. TRY 5,415.76 due to shareholders include dividends regarding the financial year 2005 and previous years not yet been collected by shareholders.

16. TRY 132,937.70 due to other related parties include personnel training budget assigned to the Undersecretariat of Turkish Treasury with a value of TRY 89,274.04, previous years dividends with a value of TRY 1,432.86 which will be paid to the founders, and other miscellaneous payables amounting to TRY 42,230.80.

17. The breakdown of insurance technical provisions is as follows:

TECHNICAL PROVISIONS	TRY
a) Provision for Unearned Premiums - Net	239,288,047.21
Provision for Unearned Premiums	256,380,956.55
Retrocessionaires Share (-)	17,092,909.34
b) Provision for Outstanding Losses - Net	214,798,490.07
Provision for Outstanding Losses	269,843,806.70
Retrocessionaires Share (-)	55,045,316.63
c) Mathematical Reserves(Life) - Net	924,970.89
Mathematical Reserves(Life)	924,970.89
Retrocessionaires Share (-)	0.00
d) Provision for Outstanding Indemnity(Life) - Net	769,033.70
Provision for Outstanding Indemnity(Life)	1,348,000.34
Retrocessionaires Share (-)	578,966.64
TOTAL	**455,780,541.87**

18. Other technical provisions include contingency fund for earthquake detailed below as at the end of 2006.

CONTINGENCY FUND FOR EARTHQUAKE (TRY)	100,620,276.56
a) Contingency Fund for Earthquake	97,495,217.94
b) Contingency Fund for Earthquake Claims Paid (-)	12,083,215.65
c) Contingency Fund for Earthquake Investment Income (+)	15,208,274.27

19. No privilege is granted to shareholders. Shareholders holding 10% and more of the equity are shown below:

SHAREHOLDER	SHARE (%)	EQUITY PARTICIPATION (TRY)
Türkiye İş Bankası A.Ş.	76.64	262,868,405.05
Millî Reasürans T.A.Ş. Pension Fund	10.54	36,159,183.22
Other (27 Shareholders)	12.82	43,972,411.73

20. Sales profits to be added to share capital is TRY 40,419,867.09. TRY 40,207,525 of this amount comes from the income generated from the sale of certain real estates in 2005 and 2006 and the remaining TRY 212,342.09 consists of profits generated from the sale of some equity participations in 2005 and 2006.

21. The valuation of financial assets in accordance with the market value of the financial assets as at 31.12.2006 within the context of Capital Market Board Communiqué Series XI No.25 and the amount in excess after the valuation amounting to TRY 41,369,871.24 is followed under valuation of financial assets item in shareholder's equity account.

22. The amount of TRY 40,465,269.95 under shareholder's equity as a profit reserve is the contingency fund for earthquake of Destek Reasürans T.A.Ş. which has been transferred to this account by the termination of this liability as of 31.12.2005 due to the merger.

23. Receivables and payables from TRY transactions are recorded in our accounts with their book value and transactions denominated in foreign currencies are followed with their equivalent TRY value after having been converted at the buying rate of exchange of the Turkish Central Bank prevailing on 31.12.2006.

24. Total number of employees of Millî Reasürans T.A.Ş. was 185 at the beginning of the financial year and 192 at the end.

25. The balance sheet has been approved on 19 March 2007.

PROFIT DISTRIBUTION (TRY)

	31.12.2005	31.12.2006
Profit Before Tax for the Period	55,170,410.80	65,075,645.13
Taxes and Legal Obligations Payable (-)	18,249,285.56	16,662,510.04
Net Profit for the Period	36,921,125.24	48,413,135.09
Losses in Previous Periods (-)	18,453,176.14	0.00
Distributable Profit	**18,467,949.10**	**48,413,135.09**
Legal Reserves	**1,846,794.91**	**4,841,313.51**
First Legal Reserves	1,846,794.91	4,841,313.51
Second Legal Reserves	0.00	0.00
Statutory Reserves	**13,052,082.76**	**37,563,338.56**
Catastrophe Fund	12,500,000.00	36,000,000.00
Other Optional Reserves	552,082.76	1,563,338.56
Distributed Profit	**3,569,071.43**	**6,008,483.02**
First Dividend to Shareholders	1,846,794.91	4,841,313.51
Second Dividend to Shareholders	1,574,443.17	989,686.49
Dividends to Employees	68,230.78	81,915.24
Dividends to Founders	79,602.57	95,567.78

FOR IMMEDIATE RELEASE

OLDWICK, N.J., OCTOBER 04, 2006

A.M. Best Co. has affirmed the financial strength rating of B+ (Very Good) and the issuer credit rating (ICR) of "bbb-" for Milli Reasurans Turk Anonim Sirketi (Milli Re) (Turkey). The outlook on both ratings has been revised to positive from stable.

The positive outlook reflects A.M. Best's expectation that the company will maintain its strong risk-adjusted capitalisation following the significant improvement at year-end 2005. This will be achieved primarily by retention of increased earnings coupled with the reduction in dividend payments. At year-end 2005 the company's capital and surplus increased significantly by 154% to TRY 466 million (USD 347.1 million) from the 2004 level.

In addition, A.M. Best expects Milli Re to maintain its leading position in the Turkish reinsurance market, writing approximately 35% of the total gross reinsurance premium as well as expanding into the Afro-Asian countries. As a result, A.M. Best forecasts that Milli Re's consolidated gross written premium is likely to be approximately TRY 800 million (USD 527 million) in 2006 and 2007 respectively (compared to TRY 724 million [USD 540 million] in 2005).

A.M. Best expects Milli Re's operating performance to remain good with pre-tax profits of approximately TRY 60 million (USD 39 million) in each of the next two years (TRY 55 million [USD 41.1 million] in 2005).

A.M. Best expects that Milli Re's overall earnings will remain largely reliant upon investment income as underwriting performance is forecasted to remain satisfactory with a combined ratio of approximately 99%-100% in 2006 and 2007 (98.3% in 2005). A.M. Best forecasts that Milli Re's net investment returns (including realised gains and losses) during the next two years are likely to be reduced to approximately 8-10% (compared to 10.3% in 2005) due to the expected stabilisation of the interest rates in Turkey and the significant reduction in the local equity market during the first half of 2006.

A.M. Best expects consistent improvement in Milli Re's combined ratio, geographical diversification of the premium income and maintenance of the company's strong risk-adjusted capitalisation before an upward rating review.

For Best's Ratings, an overview of the rating process and rating methodologies, please visit Best's Rating Center.

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source.

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