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TURKISH CATASTROPHE INSURANCE POOL

Annual Report

2005

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Message of the President of the Board of Directors

The Institution was established as a public corporation to export Mandatory Earthquake Insurance in accordance with the Decree No. 587 about the Mandatory Earthquake Insurance drafted on the basis of the authority given with the Authorisation Law No. 4452 about the Regulations For the Precautions to be taken Against the Natural Disasters and Mitigation of the Damages Arising Due to Natural Disasters dated 27.08.1999. The Natural Disaster Insurance Institution was established without organisation and personnel in accordance with the mentioned Decree, having the force of law. Again in accordance with the same legislation, the technical affairs of the Institution are carried out by the Institution Administrator.

Following its establishment, the technical affairs of the Institution had been carried out by National Reassurance TAŞ. for a period of 5 years in the capacity of "Institution Administrator". At the end of this period, Garanti Insurance AŞ. was commissioned in the capacity of Institution Administrator, also for a period of 5 years as of 08.08.2005.

Even though, our Institution had benefited from the various advantages recognised to it by the Decree No. 587 until the second half of 2005, we experienced various difficulties, in the second half of 2005, due to negative developments generated by the limitations brought about with certain laws.

As a result of the intense efforts of the administrators and directors of our Institution, led by the Under-secretariat of Treasury, the negative developments are tried to be overcome and, some of these have been eliminated, thanks to the appraised efforts of the parties involved. Intense works have been performed in the past and currently being continued to overcome the others difficulties as well.

As it can be seen from the Activity Report of Our Institution, we closed the year 2005 highly successfully.

I deeply believe that superior successes will be achieved in the future also. I congratulate those who have contributed great efforts to our success. I remain,

Yours faithfully,

İdris SERDAR

TURKISH CATASTROPHE INSURANCE POOL
PRESIDENT OF THE BOARD OF DIRECTORS

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Institution Administrator Message from the General Directorate of Garanti Sigorta

We present the Year 2005 Natural Disaster Insurance Activity Report to you, the Insurance Companies, Agencies and our insurance customers to review.

Within the framework of the Decree No. 587 about the Mandatory Earthquake Insurance, an agreement is signed between the Undersecretariat of the Treasury and Garanti Sigorta AŞ, to act in the capacity of Institution Administrator for a period of 5 years and, the duty was taken over from the Milli Reasürans TAS as of 08.08.2005. We would like to thank to all the team members of Milli Reasürans and Mr. Cahit NOMER in person, who has carried out the duty of Institution Administrator during the period passed between the establishment of the Institution until the takeover date and given support to our company during the works carried out at the takeover stages. Because DASK being a social responsibility project, we have started our works, with the awareness that taking over this duty in the capacity of Institution Administrator is a source of pride for us.

Our country, due to its geological and topographic structure and climatic characteristics, takes the lead amongst the countries which frequently face natural disasters which cause great losses in life and property. Within the last 60 years, when the statistics of the structural damages caused by the natural disasters are taken into consideration, it is seen that two third of these kind of damages are incurred due to earthquake. 96% of our county's land takes place within the regions having different levels of danger and, 98% of our population lives in these afflicted regions. These danger levels strikingly put forward the reality that our country is an earthquake country and, that our people have to take the precautionary measures to protect themselves from the aftermaths of earthquake.

We aim, not only to increase the number of policies and enable the companies to make more earnings, but also to elevate the insurance rates to higher levels to ensure that our people benefit from this coverage. The most modern, reliable and systematic solution for this is the insurance system. By increasing the number of insured dwellings, a great success will be achieved in economic and social terms, both in the name of individuals, our country and our sector.

The current DASK pool structure is in a very healthy position in terms of both the fund magnitude and also in terms of reinsurance placement and, in terms of number of policies, it is at its highest level since its establishment.

The number of policies, which was 2.2 million on the date of our take-over, has reached 2.4 million on 31.12.2005, without performing any Advertising and Promotional Activities due to the limitations brought about to DASK Service Purchasing by various laws. I convey my thanks to all those Insurance Companies and Agencies who have given support to the Institution to achieve these figures and, with the knowledge that there are still a significant section in our country, which are not taken under the coverage of the mandatory earthquake insurance, we hope that their support will continue in an increasing rate in the coming periods.

Great importance has been given to IT related software and hardware infrastructure, as Natural Disaster Insurance Institution, since the establishment stage and, the efforts are exerted in this direction during the period of both Administrators of the Institution. We regard these efforts as a duty both in the name of performing our functions more reliably and also for expanding the mass into which the insurance sector can penetrate. Especially in the coming periods, some instruments will be provided to the agencies and insurance companies to extract the policies more easily. Our works in this direction are currently continued.

In despite of the negative developments, a successful year has been completed, thanks to the support given by the Undersecretariat of Treasury and by our Board of Directors and by the Institution Administrators and Directors. With this opportunity, I would like to express my gratitude to Turkish Republic Undersecretariat of Treasury and to the President and members of the Board of Directors of the Institution, who guided us with their valuable knowledge, and also thank to my colleagues. We believe, all together we will achieve more successful works in the coming 5 year period. I remain,

Yours faithfully,

Hasan GÜLLER
GENERAL MANAGER

Introduction and General Information

Our country, due to its geological and topographic structure and climatic characteristics, takes the lead amongst the countries which frequently face the natural disasters which cause great losses in life and property. It is possible to line up the natural disasters which are effective in our country in order of their importance as earthquakes, landslides, water floods, rock falls, fires, avalanches, storms and underground water movements. For this reason, in our country when natural disasters are mentioned, the first thing comes to minds is the earthquake. When the currently available earthquake maps are taken as the basis, it can be seen that 96% of our country's land are within the earthquake regions facing different degrees of danger and, 98% of the population are living in these afflicted regions. These rates strikingly put forward the reality that our country is an earthquake country.

The earthquakes let their effects to be felt throughout the country led by the regions where the earthquake has happened, and hence all of the citizens living in this country are affected by the aftermath of these earthquakes to a certain extent. The expenses made for the indemnification of the arisen financial losses, going back to normal life in the earthquake region, meeting the emergency needs of the people and, for similar services, bring great financial burden onto the country's economy and onto the Government. The most recent example to this is the 17 August 1999 Marmara Earthquake; this earthquake caused great destructions in our country, with its economic and social magnitude.

After the Marmara earthquake causing massive losses in terms of life and property, which happened on 17 August 1999, many precautions have been taken by the public authorities to minimise the damages of the earthquakes. The most significant one of these precautions is the implementation of the Mandatory Earthquake Insurance system for the compensation of the financial damages which may occur in our properties and, the establishment of the Natural Disaster Insurance Institution (DASK) to offer this insurance exclusively. DASK is an institution, having a public corporation entity, established in accordance with the Mandatory Earthquake Insurance Decree With The Force of Law No. 587 which was put into force after been published in the Official Gazette No. 23919 (repeated issue) dated on 27 December 1999, which is legislated on the basis of the authorisation Law No. 4452 about the Regulation for the precautionary measures to be taken against the Natural Disasters and the Mitigation of the Damages Caused by the Natural Disasters dated 27 August 1999.

With the application of Mandatory Earthquake Insurance, it is aimed;

- To ensure to take the properties within the scope of this application under insurance coverage against a payable premium,
- To lessen the financial burden caused by earthquakes on the State
- While ensuring risk sharing within the country, to distribute the financial burden caused by the

earthquake on the national level onto the international reinsurance and financial markets,

- To use the insurance system as a mean for the construction of reliable buildings,
- To contribute to the development of insurance consciousness in the public

Insurance sector also plays an important role in the implementation of the Mandatory Earthquake Insurance put into practice, after studying the similar institutions around the world, with the credit support of the World Bank and by taking the conditions of our country into consideration. Currently, mandatory earthquake insurance policies are prepared and sold in the name and on behalf of DASK by 25 authorised insurance company and the agencies of these companies, and the insurance companies in question receive a commission of 12.5% in Istanbul and 17.5% outside Istanbul over the value of the premium on each policy they have prepared for their brokerage service.

The Insurance Companies Authorised to Prepare Mandatory Earthquake Insurance;

- | | |
|-------------------------------------|------------------------------|
| 1- AIG SİGORTA A.Ş. | 14- GÜVEN SİGORTA T.A.Ş. |
| 2- AK SİGORTA A.Ş. | 15- HÜR SİGORTA A.Ş. |
| 3- ANADOLU ANONİM TÜRK SİGORTA ŞTİ. | 16- IŞIK SİGORTA A.Ş. |
| 4- ANKARA SİGORTA A.Ş. | 17- İHLAS SİGORTA A.Ş. |
| 5- AVIVA SİGORTA A.Ş. | 18- İSVİÇRE SİGORTA A.Ş. |
| 6- AXA OYAK SİGORTA A.Ş. | 19- KOÇ ALLIANZ SİGORTA A.Ş. |
| 7- BAŞAK SİGORTA A.Ş. | 20- RAY SİGORTA A.Ş. |
| 8- BATI SİGORTA A.Ş. | 21- ŞEKER SİGORTA A.Ş. |
| 9- BİRLİK SİGORTA A.Ş. | 22- TEB SİGORTA A.Ş. |
| 10- FİNANS SİGORTA A.Ş. | 23- TİCARET SİGORTA A.Ş. |
| 11- GARANTİ SİGORTA A.Ş. | 24- TOPRAK SİGORTA A.Ş. |
| 12- GENERALİ SİGORTA A.Ş. | 25- YAPI KREDİ SİGORTA A.Ş. |
| 13- GÜNEŞ SİGORTA A.Ş. | |

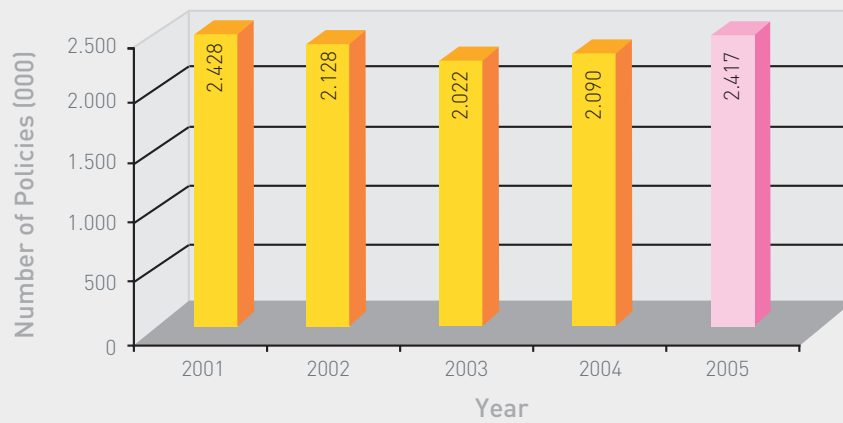
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The Mandatory Earthquake Insurance put into practice on 27 September 2000, has shown a significant development in despite of being a new implementation and, compensatory payments have been made to 8.189 insured parties totals to a value of 15.790.071 YTL.

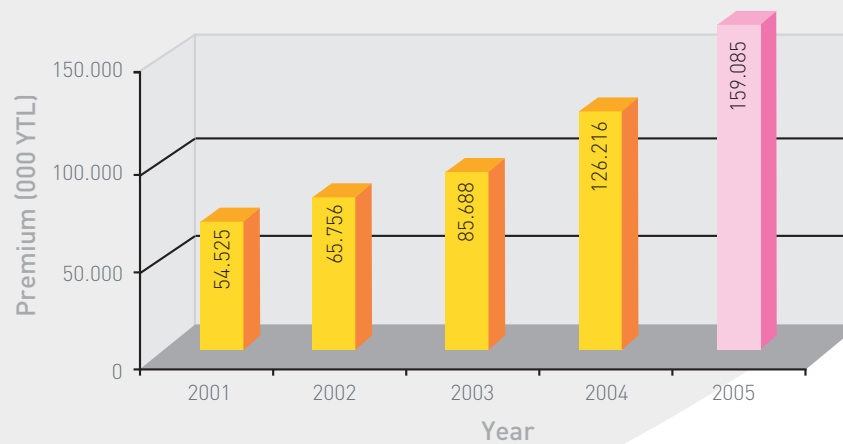
As of 31 December 2005, the data pertaining to Mandatory Earthquake Insurance are as follows:

Produced number of policies	: 2.417.176
Total security given	: 95 billion YTL.
Total Collected Premium	: 159 million YTL.
Average security per residence	: 39 thousand YTL.
Average premium Per residence	: 66 YTL.

Mandatory Earthquake Insurance, The number of policies on yearly basis



Mandatory Earthquake Insurance, Policy Premiums on yearly basis (YTL)



DATE	Number of Policies (000)	Quantity Increase %	Premium (000) YTL	Premium Increase %
27.09 - 31.12.2000	159	-	3.765	-
2001	2.428	-	54.525	-
2002	2.128	-12,4	65.756	20,6
2003	2.022	-5	85.688	30,3
2004	2.090	3,4	126.216	47,3
2005	2.417	15,6	159.085	26

Some findings, evaluations and developments constituting the subject of the Activity Report pertaining to 01 January 2005- 31 December 2005 period are presented below:

The Board of Directors

6 article of the Decree No. 587 having the force of law pertaining to Mandatory Earthquake Insurance indicates that DASK will be governed by the DASK Board of Directors constituted by a total of seven members, one of which is the President. Whereas in the 7th article of the same Decree having the force of law, it stipulated that the Board of Directors is constituted by members elected from Prime Ministry, Undersecretary of Treasury, Ministry of Public Works and Housing, Capital Market Board, Association of Turkish Insurance and Reassurance Institutions and the Institution Administrator's representative along with a member experienced on the subject of earthquake. The formation of the Board of Directors in this manner carries great importance for the representation of all the related parties and successful management of the Mandatory Earthquake Insurance program.

İSİM	GÖREVİ	KURUMU VE ÜNVANI
İdris SERDAR	President	Undersecretary of Treasury, General Directorate of Insurance Assistant General Manager
Hasan GÜLLER	Member	Garanti Insurance Inc. General Manager
Prof. Dr. M. Semih YÜCEMEN	Member	Middle East Technical University, Department of Civil Engineering, Member of Academic Staff
Metin SERİN	Member	Ministry of Public Works and Housing, General Directorate of Disaster Affairs, Deputy Assistant General Manager
Faruk ÖZÇELİK	Member	Prime Ministry, General Directorate of Personnel and Principles, Assistant General Manager
Hamdi SARIKAYA	Member	Anadolu Insurance Inc. Assistant General Manager
Ali Ender ÇOLAK	Member	Capital Market Board of Turkey Office Vice President

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The works of the Board of Directors within the year are intensified especially on the following issues:

- It was decided to initiate policy determination tasks pertaining to encouragement of the agencies in accordance with the 6th article of the Resolution of Board of Directors dated 07.06.2005 with No. 2005/45.
- As the duty of National Reassurance TAŞ (Milli Reasürans TAŞ) in the capacity of Institution Administrator is ended as of 08.08.2005, information about the process for the appointment of new Institution Administrator is presented by the Undersecretariat of Treasury at the Board of Directors meeting held on 13 September 2005. Information was presented about the current portfolio and the "Task and Action Plan", which is reflecting the road map pertaining to the Natural Disaster Insurance Institution prepared by Garanti Sigorta AŞ, which has undertaken the duty of Institution Administrator.
- The basis for the DASK resources being directed towards investment as indicated in the 5th article of the resolution of the Board of Directors No. 2005/47 dated 13 September 2005 was updated, in order to conform to the changing conditions.
- With the 2 article of the Resolution of the Board of directors No. 2005/48 dated 11 October 2005, it was decided that the banks to be worked with will be selected among the banks ranking within the top 10 banks, within the framework of the Fund Investment Basis indicated in the article 5 of the Board of Directors Resolution No. 2005/47 dated 13.09.2005 and the basis indicated in the letter of Undersecretariat of Treasury dated 03.04.2002 with No. 21242.
- In terms of working also with the Public Banks having widespread branch network and providing quality service in accordance with the 2nd article of the Board of Directors Resolution No. 2005/50 dated 13 December 2005, it was decided with the Board of Directors Resolution No. 48 dated 11.10.2005 that the national grade note rated by Fitch criterion to be minimum A- (TUR) for the Public Banks.
- With the article 5 of the Board of Directors Resolution No. 2005/50 dated 13 December 2005; it is found appropriate to participate in the "International Network for the Financial Management of Large Scale Disasters" works carried out by OECD and planned to be established within the body of the mentioned Organization and, it was decided to pay a participation fee, not exceeding 5.000 USD in amount.
- With the article 6 of the Board of Directors Resolution No. 2005/50 dated 13 December 2005; the auditing report No. 4 dated 19.10.2005 of the Insurance Control Board was examined, and a reply letter is decided to be sent.

Institution Administrator

The 6th article of the Decree No. 587 having the force of Law indicates that the technical affairs of DASK will be given, with an agreement, to be performed by an insurance or a reinsurance company in the capacity of Institution Administrator. In accordance with this provision, Undersecretariat of Treasury has given the duty of Institution Administrator, with an agreement signed on 18 July 2005, to Garanti Insurance AŞ for a period of 5 years which was previously performed by Milli Reasürans TAŞ.

In order to perform the DASK's technical affairs with the structure of Garanti Insurance AŞ, an independent office and a team are established in a separate address by the Institution Administrator to perform the operations relating to DASK.

The procedures of DASK are performed by the Institution Administrator as follows;

- All kinds of administrative and operational procedures are performed by the General Director and the General Secretary.
- The necessary support for Fund Management and Accountancy, Publicity and Public Relations, Human Resources and Reassurance Procedures is obtained from the expert personnel of the Garanti Insurance AŞ.
- The DASK procedures were actualised as: policy/general conditions printing and distribution to authorised insurance companies; preparation of weekly, monthly and quarterly status reports; replying to the written and oral applications received from the public; replying to the application received relating to information request about DASK insurance procedures and insurance policy through call centre; preparing monthly reconciliation report with the authorised insurance companies; damage indemnity and payment procedures; publicity campaign infrastructure and support tasks together with following the publicity agency expenditures; cancellation procedures for the policies drawn outside the authority of the insurance companies; preparation of supplementary certificates for the current policies of the insurance companies for which the authorisation is cancelled.
- Amongst the procedures performed within the scope of the Financial Affairs and Fund Management the following tasks take place; Controlling and accounting, in a special and separate records, all the revenue and expenditures pertaining to DASK together with all the accountancy and procedures within the framework of the stipulated "accountancy plan" and, in the direction of the requests of the Turkish Republic Prime Ministry Undersecretariat of the Treasury; communication of the reports, which are to be prepared within the framework of the relevant articles of the contract signed between the Undersecretariat of the Treasury and Garanti Insurance AŞ on 18 July 2005, to the General Co-ordinator; Routing of the Institution's funds into investments in the direction of the Resolutions of the Board of Directors; conducting the relations with the external independent auditing company; preparation of weekly fund and revenue/expenditure inventory tables together with the annual budget; preparation of operation fee accounts, salaries of the board of directors

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and concise declarations; collection of the arrears of the book balancing report prepared by the DASK service from the authorised insurance companies; settlement of the payment orders prepared by the DASK service to the rightful owners.

- The procedures performed within the scope of Information Technology are; execution of the current activities of the data processing system; ensuring that the system functions in co-ordination with the data processing systems of the authorised insurance companies; reliable production of the reports pertaining to Institution activities; general technical management of the call centre and replying to the applications of the users, management of the DASK web site and its updating procedures; development of new reports and software required by the activity.

- Amongst the reinsurance procedures;

- Determination of the requirements of reinsurance,
- Execution of procedures pertaining to reinsurance security obtained from abroad by the Natural Disaster Insurance Institution every year and carrying out the relations with the reinsurance companies,
- Providing the required reports to the Board of Directors and to the Undersecretariat of Treasury
- Following the reinsurance premiums and reinsurance damage payments take place.

- Publicity and Advertising; to actualisation and management of all kinds of tasks required in relation with the Promotion and Public Relations of DASK.

- The works performed in relation with the Human Resources are:

- to prepare the task definitions of the DASK service in written form and announce within the company,
- to perform the organisation of the DASK service human resources (personnel selection and positioning, career planning, performance assessment, task assessment, task analysis, wage management, communication, etc.)
- To provide the necessary training

- The works performed in relation with Administrative Tasks are:

- to perform the services of DASK Services pertaining to the administrative tasks (cleaning, security, communication, switchboard, food, heating and cooling, the transportation of the employees, etc.)
- to purchase the stationery, office materials, equipment and products and deliver them to DASK Services,
- Carry out the delivery procedures of documents, circulars, general provisions and policy papers to the relevant companies,
- To carry out the transportation and procurement procedures during the organisation of the Board of Directors meetings.

Dask Data Processing System

The importance of a data processing system in an application where numerous numbers of policies and database related to these are managed and evaluated as in the case of Mandatory Earthquake Insurance is very obvious.

The targets in relation to various data processing projects conducted by DASK can be summarised as: production of the Mandatory Earthquake Insurance policies in a speedy, correct and reliable manner by all the insurance companies and their agencies through the utilisation of a centralised infrastructure and the means offered by the latest technology and, that the information pertaining to these produced policies can be reported on time and correctly, and the user can access to the required information immediately, and that the compensatory payments can be made in the shortest time period as possible.

The www.dask.gov.tr site which has the status of being the focus of the DASK Data processing system is providing service as a policy production module which can be accessed by the authorised users and also as a portal where citizen can obtain information about earthquake and insurance.

Besides the policy production module they use through internet, the authorised users which access to the DASK internet system can also prepare policies on their own data processing system and transfer the data pertaining to these to the DASK centralised system on real-time basis.

The policy holders and the citizens who can access the DASK internet site can do the following transactions:

- General Information acquirement: information about legislation, DASK, insurance implementations, risk zones, comparative policy production according to the zones, resources of the Institution, the performed tasks, etc. can be obtained.
- Premium calculations: A citizen who wants to take a mandatory Earthquake Insurance coverage, can calculate the premium he/she has to pay before taking this insurance.
- Finding out the nearest agency: A citizen who wants to take an insurance coverage, can access to the addresses and telephone numbers of the agencies on the basis of towns where they can obtain the Mandatory Earthquake Insurance.
- Initiating the insurance purchasing procedures through internet: The proposal filled in over the internet by the house owner will be directed to the selected insurance company and, then the insurance company will prepare the policy.
- Policy follow up: Those who have taken an insurance policy can control their purchased policy records by entering the policy number and their names and find out about the expiry date of their policies.
- Damage declaration: In the case of a disaster, the insured persons whose houses are damaged can declare the damage over the internet as well as through other channels.

The DASK call centre (0212 368 0 800), which is used an extension to the main Data Processing

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system, also fulfils the functions of receiving damage declarations and providing information about the compensatory payments relating to the damage estimation works carried out, as well as providing information to the house owners about the Mandatory Earthquake Insurance and providing "Call Centre" services to the authorised users.

A backup of the main data processing system in Istanbul, is also installed under the name of DASK Business Recovery Centre in Ankara. Thus, in the case of a problem arising as a result of a disaster or any other reason, the backup system is commissioned and, without any data losses and with only a few minutes delay, it is ensured that the system functions and operations are continued.

The basis of Fund Investment

The fund of DASK is directed into investment within the framework of the resolutions of the Undersecretariat of Treasury and the Board of Directors. In order to ensure more professional management of the resources accumulated within the body of DASK, it is decided, with the resolution of Board of Directors No. 2003/32 dated 9 September 2003, to obtain services externally from two different Portfolio Management Company for the management of the portion of the resources having a value of 20 USA million dollar.

To this end, in the direction of the Evaluation Report of the Taskforce Committee established for the selection of DASK Portfolio Management Company, it is decided, by taking the Turkish economy into consideration, to commission the Garanti Portfolio Management AŞ and İş Portfolio Management AŞ for directing the DASK funds into investment and, in this context, it is found appropriate that the portfolio is formed 100% YTL assets ($\pm 10\%$ in foreign currency) in principle.

Reassurance Protection

Both for the reasons that it is not possible for any company to have the means to meet the whole of the compensatory payment in a large scale earthquake just with its own equity capital and also for the reasons that one of the purpose of the established Mandatory Earthquake Insurance system is to transfer the risk onto the international markets; the reassurance protection carries great importance for DASK.

In this context, DASK reassurance protection is renewed in compliance with the characteristics of the current portfolio as of 01 November 2005, and for the 01.11.2005- 31.10.2006 period various reassurance companies are commissioned in the leadership of Swiss Re-Switzerland, Munich Re-Germany, Axa Re-France, Partner Re-Switzerland, Everest Re-USA, etc. and, in this way a reassurance protection in four (4) segments is obtained with 920 million EURO damage surplus. The protection

in question is determined from the results of an internationally recognised model in terms of DASK's earthquake cumulative figures and, it is 26% higher than that of the previous period.

DASK also uses the credit, which is allocated from the World Bank to be used for the compensatory payments arising after the earthquake damages, as an "additional" finance resource to the reinsurance security.

Damage Evaluation and the Compensatory Payments

Damage evaluation procedures are carried out by independent damage evaluation officials commissioned to act on behalf of DASK. The compensatory payments determined at the end of these evaluations are also paid directly by DASK.

On the other hand, the seminars, which had been organised previously by the Ministry of Public Works General Directorate of Disaster Affairs in Ankara and Istanbul to ensure to achieve standards in earthquake damage evaluations, are now organised by the Undersecretariat of Treasury and DASK under the title of " Training Course for the Damage Evaluation Officials". These seminars are as well as being organised at the meeting rooms of the Turkish Insurance Institution each time in groups of 30 people and 3 days for two weekends for a total period of 6 days, are also organised in Ankara, Izmir and Adana this year. At the end of these courses, which are prepared with the collaboration of Istanbul Technical University and the counselling of the Bosphorus University, "Damage Evaluation Official" certificates are given to the participants by DASK. Also, henceforth the experts having these certificates will be preferred in earthquake damages, and the forms, which are introduced during the courses, will be used for the expertise. "Damage Evaluation Official" certificates are given to 170 course attendants at the end of the courses organised this year.

In the calculation of Mandatory Earthquake Insurance compensatory payments; the new construction cost of the building, at the prevailing market prices at the time and place of risk occurrence, is taken as the basis within the framework of insurance principles and fundamentals. However, the insurance indemnity, under any circumstances, does not exceed the insurance value determined in accordance with the Mandatory Earthquake Insurance Price List and Instruction put into force by the State Ministry, the Undersecretariat of Treasury it belongs to. And again in accordance with the same price list and Instruction, a deductible at a rate of 2% of the insurance value is applied at each damage. DASK is responsible for the portion of the damage exceeding the exemption amount calculated in this way.

In the current practice, the damage declarations received directly or through the authorised insurance companies, are evaluated by DASK and damage files are opened and damage evaluation experts are commissioned for the tasks. Upon the finalisation of the damage evaluation procedure, the prepared absolutions are sent to the bank branches located in the region of damage occurrence and the compensatory payments are made to the rightful owners through these branches by

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controlling the policy and serial numbers.

DASK has made compensatory payments to the insured persons suffered damages due to earthquakes occurred at various times in the direction of the purpose of its establishment. The compensatory payments are actualised within the shortest time period as possible and at the latest within one month after the earthquake and, in the case of damage evaluation procedures prolonging due to technical reasons, advance payments are made to the insured people who suffered damages.

Compensatory payments in accordance to the earthquake:

From 27 September 2000 onwards, when the implementation began;

- Until December 2001, the total compensatory payment made after 18 earthquakes by DASK, for 344 damage files opened, amounted to 151 billion TL.
- At the end of 21 earthquakes occurred within 2002, the total compensatory payment made by DASK for 1.558 damage files amounted to 2 trillion 284 billion TL.
- At the end of 20 earthquakes occurred within 2003, the total compensatory payment made by DASK for 2.503 damage files amounted to 5 trillion 182 billion TL.
- At the end of 35 earthquakes occurred within 2004, the total compensatory payment made by DASK for 586 damage files amounted to over 768 billion 692 million TL.
- Whereas, at the end of 37 earthquakes occurred within 2005, the total compensatory payment made by DASK for 3.198 damage files amounted to 7.403.985 YTL.

As it can be seen from the table below, the small and medium scale earthquakes causing damages occur very frequently in very different parts of our country. The frequency of the earthquakes, which have occurred within the last six years and for which the compensatory payments are made by DASK, is also an indicator to show how much this country needs the Mandatory Earthquake Insurance.

The compensatory payments in years:

Compensatory Payments in years (30.04.2006)			
YEAR	No. Of Earthquakes	No. Of Files	Payment (YTL)
2000	1	6	23.022
2001	17	338	127.497
2002	21	1.558	2.284.835
2003	20	2.503	5.182.041
2004	35	586	768.692
2005	37	3.198	7.403.985
TOTAL	131	8.189	15.790.071

COMPENSATORY PAYMENTS ACCORDING TO EARTHQUAKES (30.04.2006)				
The Date Of Earthquake	The Location of Earthquake	Scale	No. Of Files	Payment (YTL)
15.12.2000	AFYON KARAHISAR / BOLVADIN	5.8	6	23.022,00
THE YEAR 2000 TOTAL			6	23.022,00
17.01.2001	OSMANIYE / CENTRE	4.9	1	960,00
29.05.2001	ERZURUM / PASINLER	4.6	2	815,00
22.06.2001	BALIKESIR / SAVAŞTEPE	5.0	2	537,50
25.06.2001	OSMANIYE / CENTRE	5.5	127	44.020,00
26.06.2001	İZMİR / CENTRE	3.9	1	5.724,20
11.07.2001	ERZURUM / PASINLER	5.4	10	8.206,25
30.07.2001	YALOVA / CENTRE	3.8	1	372,00
09.08.2001	OSMANIYE / CENTRE	4.0	4	1.275,00
26.08.2001	DÜZCE / YIĞILCA	5.4	2	820,00
12.09.2001	SİİRT / PERVARI	4.5	1	1.421,00
18.10.2001	ADANA / CENTRE	4.9	39	14.540,25
31.10.2001	OSMANIYE / CENTRE	5.2	139	33.715,00
28.11.2001	ERZURUM / PASINLER	3.9	3	1.580,00
02.12.2001	HAKKARİ / CENTRE	4.2	1	3.000,00
02.12.2001	VAN / CENTRE	4.5	3	8.580,00
15.12.2001	BİTLİS / AHLAT	3.9	1	1680,00
17.12.2001	İZMİR / MENEMEN	3.9	1	250,00
THE YEAR 2001 TOTAL			338	127.496,60
22.01.2002	ANTALYA / CENTRE	5.2	2	2.811,50
22.01.2002	MANİSA / TURGUTLU	4.7	3	1.654,60
31.01.2002	OSMANIYE / CENTRE	3.9	41	9.678,40
03.02.2002	AFYON KARAHISAR / SULTANDAĞI	6.0	1.426	2.167.641,69
28.02.2002	HAKKARİ / CENTRE	4.8	2	7.500,00
28.02.2002	TEKİRDAĞ / MARMARA EREĞLİSİ	4.8	25	24.347,90
01.03.2002	MANİSA / SALIHLI	3.6	1	1.236,50
11.03.2002	HATAY / CENTRE	4.2	1	150,00
04.04.2002	BURDUR / CENTRE	4.2	3	2.015,50
01.05.2002	MERSİN / CENTRE	4.1	1	400,00

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The Date Of Earthquake	The Location of Earthquake	Scale	No. Of Files	Payment (YTL)
03.05.2002	HAKKARI / ÇUKURCA	5.0	3	23.520,00
12.05.2002	AFYON KARAHİSAR / SULTANDAĞI	4.4	16	11.710,10
23.05.2002	İZMİR / KARABURUN	4.6	2	566,40
23.05.2002	K. MARAŞ / ANDIRIN	4.8	1	150,00
20.06.2002	AFYON KARAHİSAR / BOLVADİN	3.9	4	3.213,28
28.06.2002	AFYON KARAHİSAR / SULTANDAĞI	4.5	15	7.016,20
30.07.2002	DENİZLİ / CENTRE	4.5	1	1.590,65
10.08.2002	MALATYA / ARGUVAN	4.0	4	10.365,00
18.08.2002	ERZURUM / ŞENKAYA	4.7	2	2.158,60
29.09.2002	ADANA / KARAIŞALI	3.8	4	4.108,50
19.11.2002	ADİYAMAN / ÇELİKHAN	4.6	1	3.000,00
THE YEAR 2002 TOTAL			1.558	2.284.834,82
27.01.2003	TUNCELI / PÜLÜMÜR	6.5	168	291.355,00
21.02.2003	AFYON KARAHİSAR / CENTRE	3.6	18	9.191,49
27.02.2003	ANKARA / ÇAMLIDERE	4.0	3	941,00
16.03.2003	HAKKARI / ŞEMDİNLİ	4.8	8	44.588,00
09.04.2003	ANTALYA / CENTRE	4.8	1	154,00
10.04.2003	İZMİR / URLA	5.6	1.731	1.883.848,70
18.04.2003	İZMİR / URLA	4.8	39	48.006,17
01.05.2003	BİNGÖL / CENTRE	6.4	467	2.828.877,66
04.05.2003	İZMİR / URLA	4.4	2	2.871,10
21.05.2003	BİNGÖL / GENÇ	4.5	2	8.350,00
09.06.2003	BALIKESİR / BANDIRMA	5.1	1	1.156,00
06.07.2003	ÇANAKKALE / GELİBOLU	5.3	13	11.391,50
13.07.2003	MALATYA / PÜTÜRGE	5.7	1	184,20
26.07.2003	DENİZLİ / BULDAN	5.6	26	36.306,85
31.07.2003	AFYON KARAHİSAR / SULTANDAĞI	4.4	3	1.910,50
03.10.2003	ESKİŞEHİR / CENTRE	4.2	10	8.103,90
19.11.2003	OSMANIYE / CENTRE	4.0	2	385,00
24.11.2003	İZMİR / CENTRE	3.5	3	1.473,90
16.12.2003	İZMİR / DİKİLİ	4.6	4	1.975,00

The Date Of Earthquake	The Location of Earthquake	Scale	No. Of Files	Payment (YTL)
23.12.2003	BURSA / KELEŞ	4.8	1	970,00
THE YEAR 2003 TOTAL			2.503	5.182.040,65
06.01.2004	MALATYA / PÜTÜRGE	4.8	5	30.627,60
22.01.2004	KONYA / TUZLUKÇU	4.5	1	550,00
08.02.2004	ANKARA / HAYMANA	4.5	3	4.783,00
23.02.2004	ADANA / CEYHAN	3.5	1	962,00
26.02.2004	ADIYAMAN / ÇELİKHAN	5.0	5	34.373,40
03.03.2004	BİNGÖL / SANCAK	4.5	2	6.353,00
24.03.2004	İZMİR / ÇANDARLI	4.8	28	20.522,30
28.03.2004	ERZURUM / AŞKALE	5.3	215	221.397,90
01.04.2004	ERZURUM / AŞKALE	4.6	49	64.788,80
14.04.2004	BOLU / CENTRE	4.6	11	11.145,33
16.05.2004	YALOVA / CENTRE	4.2	13	9.369,84
12.06.2004	ELAZIĞ / MADEN	4.4	2	2.803,00
15.06.2004	ÇANAKKALE / GÖKÇEADA	5.1	6	9.584,40
02.07.2004	AĞRI / DOĞUBEYAZIT	5.0	18	29.542,30
03.07.2004	AFYON KARAHİSAR / SULTANDAĞI	4.3	6	4.146,00
03.07.2004	MUĞLA / BODRUM	4.3	4	14.427,20
17.07.2004	BİNGÖL / SANCAK	4.0	2	950,00
21.07.2004	AĞRI / DOĞUBEYAZIT	3.7	4	2.494,00
21.07.2004	KIRIKKALE / KESKİN	4.4	0	0,00
30.07.2004	AĞRI / DOĞUBEYAZIT	4.6	18	17.576,00
04.08.2004	MUĞLA / GÖKOVA	5.4	17	40.303,01
09.08.2004	AĞRI / DOĞUBEYAZIT	4.0	79	62.998,10
11.08.2004	ELAZIĞ / SIVRICE	5.5	19	55.632,30
18.08.2004	MERSİN / ERDEMLİ	5.6	26	36.306,85
24.08.2004	AĞRI / DOĞUBEYAZIT	3.7	1	751,00
07.09.2004	AFYON KARAHİSAR / BOLVADİN	4.4	2	7.055,00
29.09.2004	İSTANBUL / ADALAR	4.0	22	29.189,50
04.10.2004	ANTALYA / KORKUTELİ	4.1	1	107,00
04.12.2004	ERZURUM / KANDILLİ	4.4	11	8.989,00

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The Date Of Earthquake	The Location of Earthquake	Scale	No. Of Files	Payment (YTL)
14.12.2004	ÇORUM / SUNGURLU	3.9	1	220,00
21.12.2004	MUĞLA / ULA	5.1	34	63.507,90
30.12.2004	ANKARA / ÇUBUK	4.6	2	1.275,00
THE YEAR 2004 TOTAL			586	768.692,38
11.01.2005	MUĞLA / MILAS	5.1	6	10.445,00
14.01.2005	MUĞLA / ULA	4.1	1	922,00
17.01.2005	ERZURUM / AŞKALE	4.1	6	7.410,00
24.01.2005	ANTALYA / KAŞ	5.5	1	88,00
25.01.2005	ADANA / CENTRE	4.1	6	6.661,50
25.01.2005	HAKKARİ / CENTRE	5.5	25	275.923,50
29.01.2005	DENİZLİ / ÇİVRİL	4.1	2	3.821,50
29.01.2005	İZMİR / SEFERİHİSAR	4.4	150	176.954,30
03.02.2005	HAKKARİ / CENTRE	4.5	8	65.619,00
06.03.2005	HAKKARİ / ÇUKURCA	4.1	52	181.631,40
14.03.2005	BİNGÖL / KARLIOVA	5.9	61	84.795,22
23.03.2005	BİNGÖL / KARLIOVA	5.5	67	32.950,12
28.03.2005	HAKKARİ / CENTRE	3.8	10	10.187,70
23.04.2005	AĞRI / DOĞUBEYAZIT	3.9	129	144.848,10
30.04.2005	ÇORUM / CENTRE	4.7	1	570,00
12.05.2005	TOKAT / REŞADIYE	4.9	6	2.015,00
15.05.2005	AFYON KARAHİSAR / ÇOBANLAR	4.5	5	5.021,50
31.05.2005	HAKKARİ / BAĞIŞLI	4.0	70	55.714,90
05.06.2005	HAKKARİ / CENTRE	4.6	80	129.769,80
06.06.2005	BİNGÖL / KARLIOVA	5.7	100	160.174,70
20.06.2005	BURSA / HARMANCIK	4.2	1	2.444,00
24.07.2005	HATAY / ERZİN	4.1	1	9.176,00
31.07.2005	ANKARA / BALA	5.3	11	9.674,20
04.08.2005	BALIKESİR / GÖMEÇ	4.1	9	9.488,60
06.08.2005	ANKARA / BALA	4.6	6	5.542,00
09.08.2005	ÇANKIRI / ORTA	4.7	1	1.758,00
10.08.2005	BİNGÖL / KARLIOVA	4.2	24	73.851,20

The Date Of Earthquake	The Location of Earthquake	Scale	No. Of Files	Payment (YTL)
17.10.2005	İZMİR / UZUNKUYU	5.9	876	2.389.117,55
18.10.2005	ELAZIĞ / HIDIRBABA	4.2	7	13.241,00
20.10.2005	AYDIN / KUŞADASI	4.2	5	5.220,40
21.10.2005	İZMİR / SEFERİHİSAR	5.9	1.342	3.162.367,21
31.10.2005	İZMİR / SEFERİHİSAR	4.8	85	247.159,75
02.11.2005	İZMİR / UZUNKUYU	3.9	14	51.283,80
05.11.2005	AFYON KARAHİSAR / EMİRDAĞ	3.8	2	15.182,50
26.11.2005	MALATYA / PÜTÜRGE	5.3	5	5.150,00
10.12.2005	BİNGÖL / KARLIOVA	5.3	22	45.930,54
28.12.2005	ELAZIĞ / MOLLAKENDİ	4.2	1	1.875,00
THE YEAR 2005 TOTAL			3.198	7.403.984,99
TOTAL			8.189	15.790.071,44

Legislative Issues

The changes which have taken place within the scope of the Mandatory Earthquake Insurance in 2005 are indicated below.

The changes on Price List and Instruction

Maximum security amount and the costs per metre square are rearranged as of 01.01.2005 and determined as follows.

Maximum security amount : 85.000 YTL.

Increased unit metre square costs.

A- Steel, concrete structured dwellings : 380 YTL

B- Brick structures : 270 YTL

C- Other structures : 145 YTL

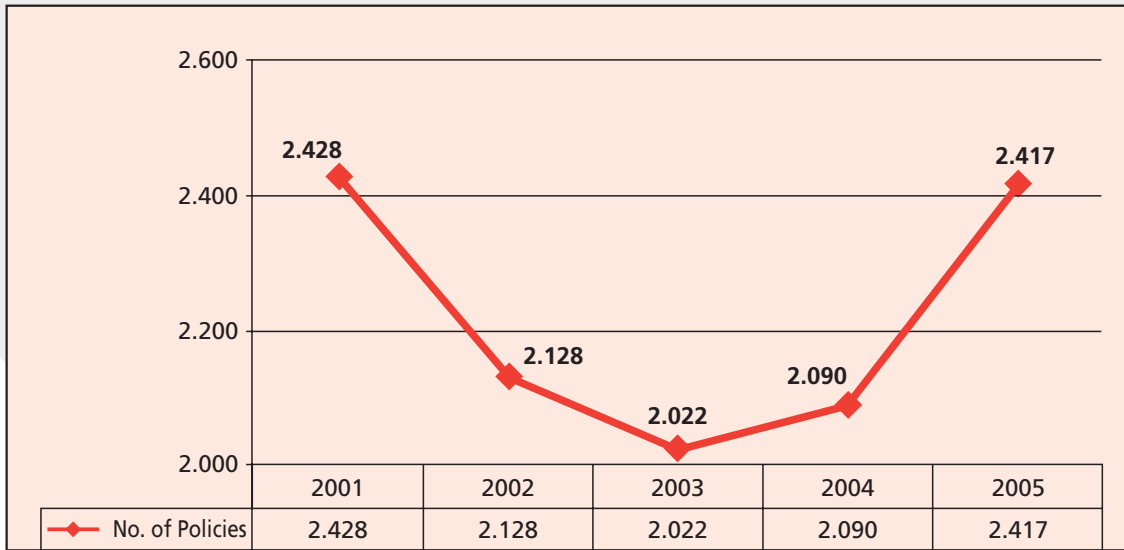
The Bill of Natural Disaster Insurance

Doğal Afet Sigortaları Kanunu tasarısının 2005 yılı boyunca da yasalaşamaması, söz konusu sigorta sisteminin daha da yaygınlaşmamasında en büyük etken olmuştur.

STATISTICAL INFORMATION

Policy Production in Years

DATE	NO. OF POLICIES	PREMIUM (YTL)	QUANTITY INCREASE%
27.09 - 31.12.2000	159.301	3.764.767	-
2001	2.427.840	54.524.578	-
2002	2.127.980	65.756.220	-12
2003	2.022.470	85.688.190	-5
2004	2.089.568	126.215.773	3
2005	2.417.176	159.085.150	16

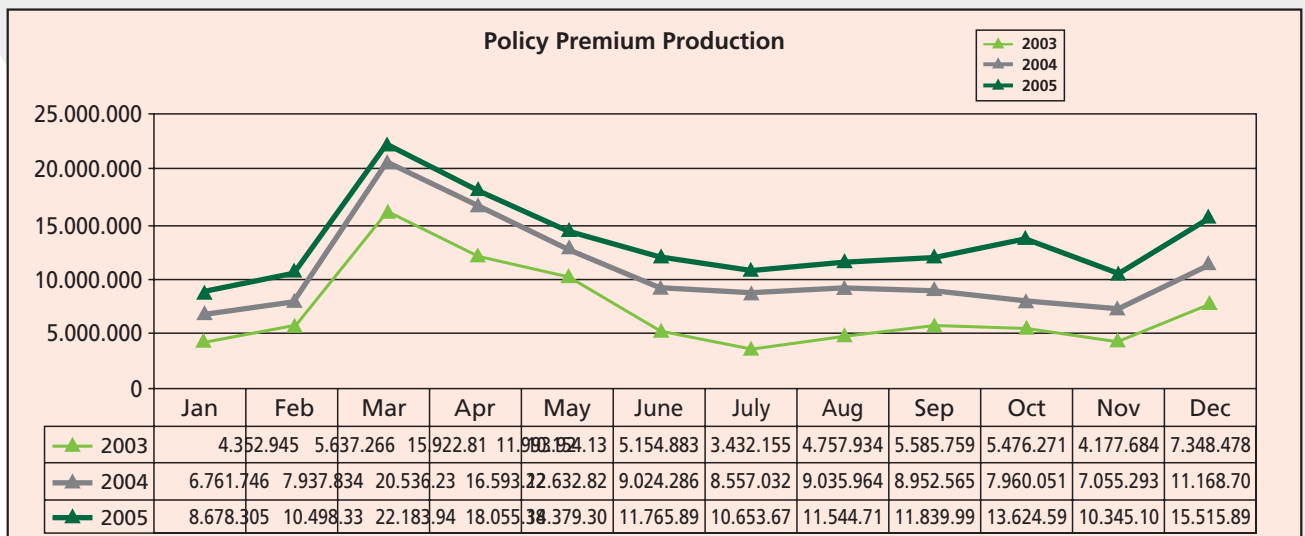
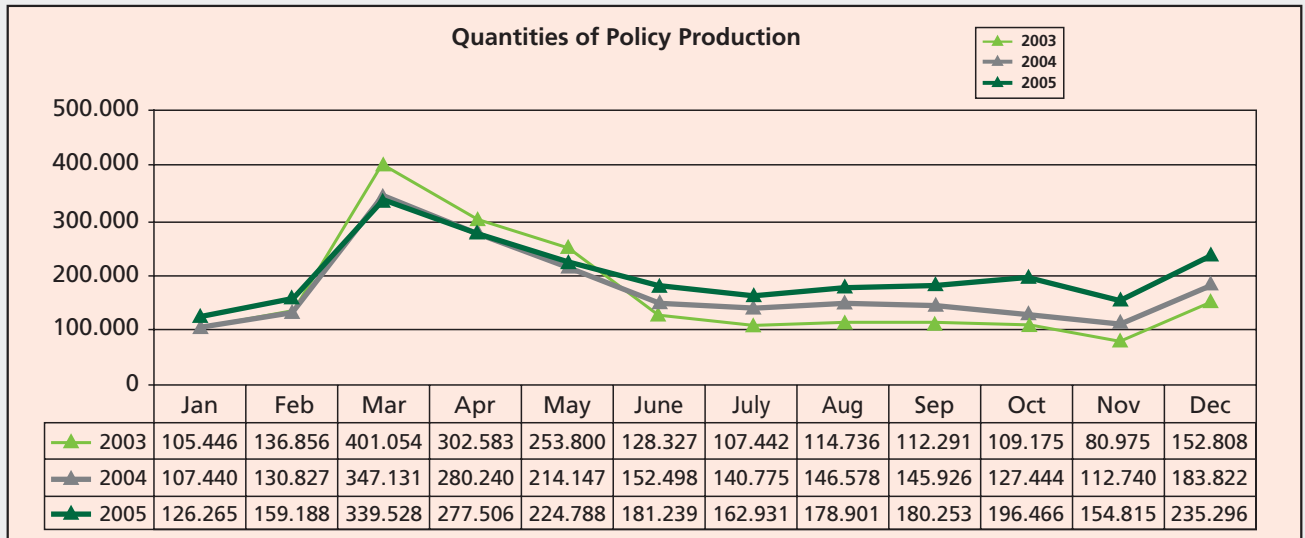


Company Policy Productions

MANDATORY EARTHQUAKE INSURANCE POLICY PRODUCTION REPORT (AS OF 31.12.2005)					
	2004		2005		Increase in Policy %
	No. Of Policies	Policy Proportion %	No. Of Policies	Policy Proportion %	
PRODUCTION OF THE COMPANIES					
FİNANS SİGORTA A.Ş.	28.856	1,38	50.723	2,10	75,78
AVIVA SİGORTA A.Ş.	20.850	1,00	32.475	1,34	55,76
GARANTİ SİGORTA A.Ş.	24.672	1,18	36.990	1,53	49,93
HÜR SİGORTA A.Ş.	12.028	0,58	17.852	0,74	48,42
IŞIK SİGORTA A.Ş.	22.872	1,10	32.740	1,35	43,14
GÜVEN SİGORTA T.A.Ş.	53.034	2,54	71.680	2,97	35,16
BİRLİK SİGORTA A.Ş.	30.367	1,45	39.819	1,65	31,13
AKSİGORTA A.Ş.	136.127	6,52	177.428	7,34	30,34
ANKARA SİGORTA A.Ş.	48.267	2,31	60.207	2,49	24,74
İHLAS SİGORTA A.Ş.	34.413	1,65	42.865	1,77	24,56
KOÇ ALLIANZ SİGORTA A.Ş.	131.260	6,29	158.685	6,56	20,89
RAY SİGORTA A.Ş.	94.843	4,54	113.764	4,71	19,95
İSVİÇRE SİGORTA A.Ş.	133.342	6,39	157.512	6,52	18,13
ŞEKER SİGORTA A.Ş.	15.892	0,76	18.390	0,76	15,70
YAPI KREDİ SİGORTA A.Ş.	111.852	5,36	127.431	5,27	13,93
TOPRAK SİGORTA A.Ş.	2.776	0,13	3.132	0,13	12,82
GÜNEŞ SİGORTA A.Ş.	222.689	10,67	249.209	10,31	11,91
AXA OYAK SİGORTA A.Ş.	287.973	13,79	320.457	13,26	11,28
ANADOLU ANONİM TÜRK SİGORTA A.Ş.	329.831	15,80	364.669	15,09	10,56
BAŞAK SİGORTA A.Ş.	210.498	10,08	230.530	9,54	9,52
TÜRKİYE GENEL SİGORTA A.Ş.	47.470	2,27	48.787	2,02	2,77
AIG SİGORTA A.Ş.	2.955	0,14	3.023	0,13	2,30
TİCARET SİGORTA A.Ş.	5.690	0,27	5.573	0,23	-2,06
GENERALİ SİGORTA A.Ş.	38.768	1,86	37.565	1,55	-3,10
TEB SİGORTA A.Ş.	17.917	0,86	15.708	0,65	-12,33
BATI SİGORTA A.Ş.	24.326	1,09	38	0,00	-100,17
TOTAL	2.089.568	100,00	2.417.176	100,00	15,76

Policy Production on Yearly Basis

MONTHS	2003 QUANTITY	2004 QUANTITY	2005 QUANTITY	2003 PREMIUM YTL	2004 PREMIUM YTL	2005 PREMIUM YTL	2005 QUANTITY INCREASE%	2005 PREMIUM INCREASE%
JANUARY	105.446	107.440	126.265	4.352.945	6.761.746	8.678.305	17,52	28,34
FEBRUARY	136.856	130.827	159.188	5.637.266	7.937.834	10.498.332	21,68	32,26
MARCH	401.054	347.131	339.528	15.922.812	20.536.239	22.183.945	-2,19	8,02
APRIL	302.583	280.240	277.506	11.993.922	16.593.228	18.055.382	-0,98	8,81
MAY	253.800	214.147	224.788	10.154.132	12.632.829	14.379.309	4,97	13,82
JUNE	128.327	152.498	181.239	5.154.883	9.024.286	11.765.896	18,85	30,38
JULY	107.442	140.775	162.931	3.432.155	8.557.032	10.653.674	15,74	24,50
AUGUST	114.736	146.578	178.901	4.757.934	9.035.964	11.544.714	22,05	27,76
SEPTEMBER	112.291	145.926	180.253	5.585.759	8.952.565	11.839.991	23,54	32,25
OCTOBER	109.175	127.444	196.466	5.476.271	7.960.051	13.624.598	54,16	71,16
NOVEMBER	80.975	112.740	154.815	4.177.684	7.055.293	10.345.106	37,32	46,63
DECEMBER	152.808	183.822	235.296	7.348.478	11.168.706	15.515.898	28,00	38,92
TOTAL	2.005.493	2.089.568	2.417.176	83.994.241	126.215.773	159.085.150	15,68	26,04



TCIP

Penetration Rates on Regional Basis

REGIONS	Total No. of Houses	No. of Insured Houses	Penetration Rates%	Coverage (YTL)	Premium (YTL)
MEDITERRANEAN	1.663.126	179.019	10,76	7.408.881.490	10.903.591
EASTERN ANATOLIA REGION	611.788	56.446	9,23	2.285.257.480	4.409.076
AEGEAN REGION	2.318.262	440.995	19,02	16.478.945.275	36.709.398
SOUTHEAST REGION	742.865	41.564	5,60	1.614.358.950	2.026.786
BLACKSEA REGION	1.282.095	142.126	11,09	5.467.549.095	8.571.611
MARMARA REGION	4.143.473	1.126.194	27,18	44.739.967.715	83.561.657
CENTRAL ANATOLIA	2.227.055	430.832	19,35	16.751.203.400	12.903.032
TURKEY IN GENERAL	12.988.663	2.417.176	18,61	94.746.163.405	159.085.150

Penetration Rates on Town Basis

REGIONS	Total No. of Houses	No. of Insured Houses	Penetration Rates%	Coverage (YTL)	Premium (YTL)
MEDITERRANEAN	1.663.126	179.019	10,76	7.408.881.490	10.903.591
ANTALYA	365.097	55.304	15,15	2.221.109.165	3.201.679
MERSİN	352.147	44.520	12,64	1.852.645.125	1.417.853
ADANA	375.351	36.721	9,78	1.777.313.575	2.727.056
BURDUR	52.018	5.817	11,18	207.007.600	510.715
ISPARTA	97.938	9.429	9,63	322.016.155	796.370
HATAY	218.635	17.246	7,89	646.150.310	1.448.213
OSMANİYE	68.586	4.144	6,04	159.090.040	344.297
KAHRAMANMARAŞ	133.354	5.838	4,38	223.549.520	457.409
EASTERN ANATOLIA REGION	611.788	56.446	9,23	2.285.257.480	4.409.076
ERZİNCAN	41.437	8.593	20,74	299.510.880	765.481
TUNCELİ	10.344	1.463	14,14	58.922.720	97.909
ERZURUM	94.248	11.906	12,63	524.130.295	826.983
KARS	23.646	1.533	6,48	56.437.285	94.578
ELAZIG	87.783	10.674	12,16	474.725.665	780.432
ARDAHAN	6.463	425	6,58	14.363.660	24.803
MALATYA	123.573	9.567	7,74	406.670.575	926.953

Penetration Rates on Town Basis

REGIONS	Total No. of Houses	No. of Insured Houses	Penetration Rates%	Coverage (YTL)	Premium (YTL)
VAN	64.081	2.477	3,87	100.235.205	166.029
AĞRI	32.921	1.825	5,54	52.117.640	94.759
İĞDIR	16.553	1.008	6,09	42.543.635	67.679
BİTLİS	28.919	1.464	5,06	41.153.840	84.497
MUŞ	28.815	1.109	3,85	41.084.885	94.201
BİNGÖL	22.458	4.045	18,01	160.873.205	363.267
ŞIRNAK	30.547	357	1,17	12.487.990	21.504
AEGEAN REGION	2.318.262	440.995	19,02	16.478.945.275	36.709.398
MUĞLA	155.696	50.540	32,46	1.761.656.075	4.016.593
İZMİR	912.585	194.422	21,30	7.608.812.825	16.948.773
BALIKESİR	272.600	67.255	24,67	2.261.012.055	5.150.633
DENİZLİ	187.334	30.004	16,02	1.322.584.925	2.974.349
AYDIN	219.408	39.880	18,18	1.415.623.685	3.197.933
UŞAK	66.125	6.378	9,65	252.427.495	424.402
MANİSA	243.854	24.093	9,88	863.560.390	2.003.710
AFYON KARAHİSAR	137.210	18.073	13,17	616.723.125	1.283.018
KÜTAHYA	123.450	10.350	8,38	376.544.700	709.988
SOUTHEAST ANATOLIA REGION	742.865	41.564	5,60	1.614.358.950	2.026.786
GAZİANTEP	223.694	15.291	6,84	646.768.215	576.117
DİYARBAKIR	160.281	8.315	5,19	342.192.500	563.299
ŞANLIURFA	126.916	6.623	5,22	226.149.620	217.099
ADİYAMAN	60.552	4.189	6,92	153.193.650	266.532
KİLİS	16.318	627	3,84	16.080.660	17.708
MARDİN	70.134	2.244	3,20	76.922.400	72.376
SİİRT	24.195	1.104	4,56	31.063.320	73.444
HAKKARİ	16.314	1.075	6,59	43.354.310	113.560
BATMAN	44.462	2.096	4,71	78.634.275	126.651
MARMARA REGION	4.143.473	1.126.194	27,18	44.739.967.715	83.561.657
YALOVA	64.227	23.053	35,89	813.391.035	1.806.585
İSTANBUL	2.714.462	799.190	29,44	32.163.853.400	59.751.013
TEKİRDAĞ	178.113	57.362	32,21	2.291.807.760	2.813.312

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Penetration Rates on Town Basis

REGIONS	Total No. of Houses	No. of Insured Houses	Penetration Rates%	Coverage (YTL)	Premium (YTL)
KIRKLARELİ	66.520	13.956	20,98	547.396.485	302.568
EDİRNE	75.983	18.512	24,36	703.610.845	589.429
KOCAELİ	281.663	72.239	25,65	2.804.244.635	6.189.744
SAKARYA	125.109	32.983	26,36	1.260.637.745	2.892.971
ÇANAKKALE	90.302	18.470	20,45	656.730.920	1.509.161
BURSA	512.158	85.774	16,75	3.323.733.900	7.363.946
BİLECİK	34.937	4.655	13,32	174.560.990	342.928
CENTRAL ANATOLIA REGION	2.227.055	430.832	19,35	16.751.203.400	12.903.032
ANKARA	902.900	273.806	30,33	10.973.118.440	6.258.716
ESKİŞEHİR	166.174	46.005	27,68	1.560.413.190	2.622.941
ÇANKIRI	34.893	4.230	12,12	139.634.060	316.150
KAYSERİ	218.896	30.834	14,09	1.275.526.675	1.061.776
KIRŞEHİR	44.458	5.397	12,14	179.984.330	416.696
SİVAS	93.719	8.368	8,93	297.883.790	296.291
NEVŞEHİR	60.670	6.148	10,13	170.921.720	171.624
KARAMAN	44.706	3.500	7,83	147.899.675	65.739
KONYA	375.915	34.090	9,07	1.332.000.065	1.062.869
AKSARAY	65.232	4.991	7,65	191.779.155	93.719
NİĞDE	63.806	5.219	8,18	195.583.175	110.528
YOZGAT	89.145	5.067	5,68	173.699.530	185.085
KIRIKKALE	66.542	3.177	4,77	112.759.595	240.898
BLACKSEA REGION	1.282.095	142.126	11,09	5.467.549.095	8.571.611
BOLU	38.918	16.656	42,80	670.420.980	1.498.580
DÜZCE	29.758	9.341	31,39	357.979.070	811.397
AMASYA	60.760	7.103	11,69	246.560.575	584.684
SİNOP	32.290	4.803	14,87	184.079.175	140.246
KASTAMONU	55.919	7.303	13,06	276.280.345	544.733
ÇORUM	91.638	15.034	16,41	585.085.795	974.731
ZONGULDAK	114.260	10.812	9,46	423.177.505	728.543
SAMSUN	204.034	16.533	8,10	625.388.345	926.038
BARTIN	23.942	2.950	12,32	104.370.890	238.144

İller Bazında Penetrasyon Oranları

REGIONS	Total No. of Houses	No. of Insured Houses	Penetration Rates%	Coverage (YTL)	Premium (YTL)
KARABÜK	45.380	4.829	10,64	174.779.315	398.368
TRABZON	156.089	15.082	9,66	619.781.180	341.719
ORDU	130.823	8.638	6,60	373.010.435	338.878
ARTVİN	24.152	2.106	8,72	78.816.255	54.739
GİRESUN	76.527	5.547	7,25	204.281.020	143.311
TOKAT	106.952	8.821	8,25	287.466.505	670.001
RİZE	60.778	5.010	8,24	199.129.820	109.736
GÜMÜŞHANE	20.782	1.164	5,60	42.635.105	53.239
BAYBURT	9.095	394	4,33	14.306.780	14.525
TURKEY IN GENERAL	12.988.663	2.417.176	18,61	94.746.163.405	159.085.150

* STATE STATISTICS INSTITUTION (DİE) Year 2000 house numbers are taken as the basis

Other Statistical Reports

MANDATORY EARTHQUAKE INSURANCE (ZDS) POLICY PRODUCTION REPORT (AS OF 31.12.2005)						
Productions in Region	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
Mediterranean Region	179.022	7,41	10.903.591	6,85	7.408.881.490	7,82
Eastern Anatolia Region	56.446	2,34	4.409.076	2,77	2.285.257.480	2,41
Aegean Region	440.993	18,24	36.709.189	23,08	16.478.850.275	17,39
South Eastern Anatolia Reg.	41.564	1,72	2.026.786	1,27	1.614.358.950	1,70
Blacksea Region	142.126	5,88	8.571.611	5,39	5.467.549.095	5,77
Marmara Region	1.126.193	46,59	83.561.569	52,53	44.739.922.115	47,22
Central Anatolia Region	430.832	17,82	12.903.032	8,11	16.751.203.400	17,68
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00
Production in the Risk Regions	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
1. Degree	1.198.334	49,58	103.860.625	65,29	46.185.459.770	48,75
2. Degree	633.264	26,20	39.808.182	25,02	24.993.027.825	26,38
3. Degree	197.348	8,16	6.997.272	4,40	8.182.826.205	8,64
4. Degree	372.512	15,41	8.174.035	5,14	14.845.661.020	15,67
5. Degree	15.718	0,65	244.740	0,15	539.047.985	0,57
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00

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Other Statistical Reports

MANDATORY EARTHQUAKE INSURANCE (ZDS) POLICY PRODUCTION REPORT (AS OF 31.12.2005)						
Production According to Construction Type	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
Steel, Reinforced Concrete	2.245.408	92,89	149.762.727	94,14	91.202.223.255	96,26
Brick Structures	125.949	5,21	7.497.138	4,71	3.053.143.610	3,22
Other Structures	45.819	1,90	1.824.988	1,15	490.655.940	0,52
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00
Production According to Construction Date	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
1975 and earlier	320.817	13,27	18.526.313	11,65	10.251.971.670	10,82
Between 1976-1996	1.204.154	49,82	80.842.001	50,82	46.109.990.005	48,67
Between 1997-1999	336.088	13,90	23.569.606	14,82	14.226.483.000	15,02
2000 and afterwards	556.117	23,01	36.146.933	22,72	24.157.578.130	25,50
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00
Production According to To No. of Floors	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
1-4 floors	1.192.578	49,34	76.314.743	47,97	44.353.997.520	46,81
Between 5-7	882.584	36,51	57.912.628	36,40	34.929.791.525	36,87
8 and more floors	342.014	14,15	24.857.482	15,63	15.462.233.760	16,32
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00
Production According to To Square metre	No. of Policies	Rate (%)	Premium	Rate (%)	Coverage	Rate (%)
Smaller than 75 m ²	470.816	19,48	16.924.382	10,64	9.158.166.650	9,67
76-100 m ²	895.761	37,06	51.594.940	32,43	30.615.545.560	32,31
101-125 m ²	491.007	20,31	35.469.234	22,30	21.133.254.805	22,31
126-150 m ²	325.647	13,47	27.978.879	17,59	16.959.886.535	17,90
150 m ² and larger	233.945	9,68	27.117.419	17,05	16.879.169.255	17,82
TOTAL	2.417.176	100,00	159.085.150	100,00	94.746.022.805	100,00

Turkish Catastrophe Insurance Pool
Financial Statements
for the Years Ended
31 December 2005

TCIP

DOĐAL AFET SİGORTALARI KURUMU

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dođal Afet Sigortaları Kurumu

1. We have audited the accompanying balance sheet of Dođal Afet Sigortaları Kurumu ("T.C.I.P: Turkish Catastrophe Insurance Pool") as of 31 December 2005, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the New Turkish Lira as of 31 December 2005. These financial statements are the responsibility of T.C.I.P's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audits in accordance with International Standards on Auditing. 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.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of T.C.I.P as of 31 December 2005 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, 26 May 2006

Balance Sheets as of 31 December 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise note (note 2))

	Notes	31 December 2005	31 December 2004
CURRENT ASSETS			
Cash and cash equivalents	4	208,899,391	85,820,524
Investments securities (net)	5	101,611,612	129,165,416
Accounts receivable (net)	6	13,553,492	9,851,065
Other assets	7	6,994,966	2,607,733
Total Current Assets		331,059,461	227,444,738
NON CURRENT ASSETS			
Fixed assets (net)	8	1,789,449	2,979,544
Total Non-Current Assets		1,789,449	2,979,544
TOTAL ASSETS		332,848,910	230,424,282

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Balance Sheets as of 31 December 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise note (note 2))

	Notes	31 December 2005	31 December 2004
CURRENT LIABILITIES			
Accounts payable	9	20,127	41,867
Technical insurance reserves	11	67,660,546	55,183,249
Short term borrowings	13	8,635,708	2,436,376
Other payables	12	4,818,323	7,737,764
Total Current Liabilities		81,134,704	65,399,256
NON CURRENT LIABILITIES			
Accounts payable	10	2,150,905	2,389,473
Long term borrowings	13	42,124,996	52,280,690
Total Non-Current Liabilities		44,275,901	54,670,163
EQUITY			
Fair value reserve		926,844	4,380,910
Retained earnings		206,511,461	105,973,953
Total Equity		207,438,305	110,354,863
TOTAL LIABILITIES AND EQUITY		332,848,910	230,424,282

Statement of Income for the Years Ended 31 December 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise note (note 2))

	Notes	Year Ended 31 December 2005	Year Ended 31 December 2004
Revenues			
Premium revenue (net)	14	148,994,327	130,748,803
Costs			
Cost of reinsurance coverage	15	(34,876,399)	(34,974,536)
Claims (net)	16	(5,695,067)	(1,129,348)
Commission expense	17	(29,783,512)	(26,238,705)
Operating income		78,639,349	68,406,214
General administrative expenses		(4,950,759)	(6,701,186)
Financial income (net)	18	34,355,009	23,593,645
Other expenses (net)		(644,278)	(209,027)
Profit before monetary loss		107,399,321	85,089,646
Monetary loss		(6,861,813)	(13,680,591)
Profit for the year		100,537,508	71,409,055

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Statements of Cash Flows for the Years Ended 31 December 2005 and 2004

(Amounts expressed in New Turkish Lira (TRY) unless otherwise note (note 2))

	Year Ended 31 Dec 2005	Year Ended 31 Dec 2004
OPERATING ACTIVITIES		
Profit for the year	100,537,508	71,409,055
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation and amortization	1,212,522	1,206,884
(Increase) in account receivables	(3,702,427)	(1,705,775)
(Increase) / decrease in other assets	(4,387,233)	631,734
(Decrease) / increase in short-term accounts payables	(21,740)	31,037
(Decrease) in long term accounts payables	(238,568)	(688,806)
Increase in technical insurance reserves	12,477,297	8,321,678
(Decrease) / increase in other payables	(2,919,441)	4,870,941
Net Cash From Operating Activities	<u>102,957,918</u>	<u>84,076,748</u>
INVESTING ACTIVITIES:		
Increase in investment securities	24,099,738	(64,628,620)
Additions to fixed assets (net)	(22,427)	(31,671)
Net Cash From / (Used) in Investing Activities	<u>24,077,311</u>	<u>(64,660,291)</u>
FINANCING ACTIVITIES:		
Decrease in borrowings	(3,956,362)	(10,056,674)
Net Cash (Used) in Financing Activities	<u>(3,956,362)</u>	<u>(10,056,674)</u>
Net change in cash and cash equivalents	123,078,867	9,359,783
Cash and cash equivalents at the beginning of the year	85,820,524	76,460,741
Cash and cash equivalents at the end of the year	<u>208,899,391</u>	<u>85,820,524</u>

**Statement of Changes in Equity
for the Years Ended 31 December 2005 and 2004**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise note (note 2))

	Fair value reserve	Retained earnings	Total
Balance, 31 December 2003	2,652,527	34,564,898	37,217,425
Fair value reserve	1,728,383	-	1,728,383
Profit for the year	-	71,409,055	71,409,055
Balance, 31 December 2004	4,380,910	105,973,953	110,354,863
Fair value reserve	(3,454,066)	-	(3,454,066)
Profit for the year	-	100,537,508	100,537,508
Balance, 31 December 2005	926,844	206,511,461	207,438,305

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

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Statement of Changes in Equity for the Years Ended 31 December 2005 and 2004

1. OPERATIONS OF T.C.I.P.

Doğal Afet Sigortaları Kurumu ("T.C.I.P.") having public legal personality has been established in order to effect insurance and to fulfill the other tasks assigned to it under decree-law No.587 announced in Official Gazette in December 27, 1999. Policy sales of T.C.I.P have started on September 27, 2000 as stated in the decree-law.

The operations of T.C.I.P. is to take out Compulsory Earthquake Insurance in order to ensure compensation of the losses of the owners of the residences occur as a result of an earthquake.

The operations of T.C.I.P. are contracted out by the under secretariat to Garanti Sigorta A.Ş. in August 8, 2005. The contract is signed for five-year period and can be renewed according to the same procedure.

T.C.I.P. is managed by the Board of Directors' of Doğal Afet Sigortaları Kurumu, which consists of seven members, one being the chairman.

T.C.I.P. is not subject to Public Accounting Law No.1050, Law No.3346 on the Supervision of the Public Economic Enterprises and Funds by the Turkish Assembly, the Audit Court Law No.832, State Tender Law No. 2886, and Law No.6245 on Travel Allowances and Expenses.

Insurance premiums of T.C.I.P. are collected according to Law No.6183 on the Procedures of Collection of Receivables of the State.

Annual financial statements, transactions and expenses of T.C.I.P. are audited by the under secretariat.

T.C.I.P. and the income of T.C.I.P. are not subject to any taxation.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). T.C.I.P. maintains its books of account and prepare its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code, Insurance Law and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the New Turkish Lira in accordance with International Accounting

Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), for the purpose of fair presentation in accordance with Statements of IFRS.

Inflation Accounting:

Restatement adjustments have been made to the financial statements of T.C.I.P. to compensate for the effect of changes in the general purchasing power of the New Turkish Lira, as of 31 December 2005, in accordance with IAS 29.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 35,60% for the three years ended 31 December 2005 based upon the wholesale price index announced by the Turkish State Institute of Statistics ("SIS").

Although the three year cumulative inflation rate was below the rate indicated in the preceding paragraph, since the majority of the people keep their savings in foreign currencies, the prices of services and goods are set in terms of foreign currencies, interest rates and wages are expressed in terms of the inflation indexes, and the market prices are determined taking into account the losses due to the credit sales including the short term transactions, the economy shows the characteristics of a hyperinflationary environment and therefore IAS 29 needs to be applied to the accompanying financial statements

The restatement was calculated by means of conversion factors derived from the wholesale price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each year to 31 December 2005 are given below:

	<u>Indeks</u>	<u>Conversion Factor</u>
31 December 2002	6.478,8	1,3561
31 December 2003	7.382,1	1,1901
31 December 2004	8.403,8	1,0454
31 December 2005	8.785,7	1,0000

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The annual change in the TRY exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to WPI as set out below:

Years	2005	2004	2003	2002
Currency depreciation / - (%) acceleration USD	(0,02%)	(3,85%)	(14,6%)	13,5%
WPI inflation -(%)	4,5%	13,8%	13,9%	30,8%

At 31 December 2005 the exchange rate announced by the Turkish Central Bank (which is a market rate) was TRY 1,3418= USD 1 (31 December 2004: 1,3421).

The main guidelines for the restatement are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, but only up to their current market value. Depreciation is similarly restated. The components of equity are restated by applying the applicable general price index from the dates the components were contributed to T.C.I.P. or otherwise arose within T.C.I.P.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the net monetary position of T.C.I.P. is included in the statements of income as monetary gain or loss.

Adaptation of New and Revised IFRSs

In the current year, T.C.I.P. has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for periods beginning 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the accounting policies of T.C.I.P. in the following areas that have affected the amounts reported for the current or prior years:

- Insurance contracts (IFRS 4)

It is anticipated by the management that, the adoption of these Standards and Interpretations in the future periods will have no material impact of the financial statements of T.C.I.P.

IFRS 4, Insurance Contracts

Effective January 1, 2005, T.C.I.P. has adopted IFRS 4, Insurance Contracts ("IFRS 4"). IFRS 4 represents the completion of phase I and is a transitional standard until the IASB has more fully addressed the recognition and measurement of insurance contracts. IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. IFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with IAS 39 revised. This change did not have a material effect on the equity of T.C.I.P. as of December 31, 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

a. Net premium revenue

Premium revenue represents premiums on earthquake policies written during the period offset by reserve for unearned premiums. The unearned premium reserve has been calculated by apportioning per policy on a daily basis.

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b. Cost of reinsurance coverage

T.C.I.P. uses exclusive reinsurance services to cover its estimated risks from earthquake. Such payments are paid in advance and written off as expense on a pro-rated basis.

c. Claims

Claims are accounted for on an accrual basis. Provision is made for claims incurred, but not paid.

d. Commission expenses

Commission expenses consist of 12.5 % (Istanbul) and 17.5% (other provinces) of premium revenue paid to insurance companies, plus management fee paid to Milli Reasürans T.A.Ş. for the first half period and to Garanti Sigorta A.Ş. for the second period in 2005.

e. Investment securities

Investment securities are composed of government bonds and treasury bills, Eurobonds, reverse purchase agreements and investment funds and are stated at cost plus accrued interest at the balance sheet date which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined in reference to the transaction price or market prices. The cost of foreign currency denominated securities is translated at year-end exchange rates.

Securities are impaired if their carrying amounts are greater than their estimated recoverable amounts. T.C.I.P assesses at each balance sheet date whether there is any objective evidence that they may be impaired.

If any such evidence exists, T.C.I.P estimates the recoverable amount of that asset or group of assets and recognise impairment losses in net profit or loss for the period.

Interest earned for holding securities are included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the statement of income for the period.

T.C.I.P designates its securities portfolio in accordance with IAS 39 as follows:

Securities held for trading:

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise. Investment fund share certificates are stated at market value. Quoted shares are carried at market value.

Securities held to maturity:

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that T.C.I.P has the positive intent and ability to hold to maturity. Held to maturity securities having fixed maturities are measured at amortised cost using the effective interest rate method.

Available-for-sale securities:

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at amortised cost. The difference between fair value and amortised cost are recognized in the statement of shareholders' equity.

Investments in equity instruments that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, are accounted for at cost. Securities that do not have a fixed maturity are measured at cost.

f. Cash and cash equivalents

Cash and cash equivalents include cash, demand and time deposits.

g. Account receivables

Account receivables are carried at anticipated realizable value that the net of account receivables and allowance for doubtful receivables. The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debts are written off during the year in which they are identified.

h. Property, plant and equipment

Property, plant and equipment are carried at indexed historical cost. Property, plant and equipment, except land that is deemed to have indefinite life, are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

Furniture and fixtures	$\frac{\text{Ratio \%}}{20}$
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Gains or losses on disposal of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged against income.

i. Impairment of assets

Long term assets other than deferred tax assets and financial assets are tested for impairment according to the provisions of IAS 36 ("Impairment of Assets"). IAS 36 requires an impairment loss to be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of an asset net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its life

j. Borrowing costs

All other borrowing costs are recorded in the income statement in the period in which they are incurred.

k. Taxation

T.C.I.P. is not subject to taxation.

l. Employee termination benefits

Under Turkish Law and Union Agreements, lump-sum payments are made to employees retiring or leaving the T.C.I.P.

T.C.I.P. has no employees as at the balance sheet date, so that no provision is made in these financial statements for the accrued entitlement of employees to such payments.

m. Foreign currency transactions

In the statutory accounts of T.C.I.P, transactions in foreign currencies (currencies other than New Turkish Lira) are translated into New Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

n. Related parties

T.C.I.P. is owned by the Treasury of Turkish Republic and do not have any shareholders or subsidiaries; therefore that it does not have any related parties for reporting purposes.

o. Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet of T.C.I.P. when T.C.I.P. becomes a party to the contractual provisions of the instrument.

Account receivables and other receivables

Account receivable and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Managers of T.C.I.P. consider that the carrying amount of account receivables and other receivables approximates their fair value.

Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand and time. The carrying amount of these assets approximates their fair value.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the

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proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the accounting policy of T.C.I.P. for borrowing costs.

Account payable and other payables

Account payables and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The directors consider that the carrying amount of account payables and other payables approximates their fair value.

p. Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

r. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

4. CASH AND CASH EQUIVALENTS

	<u>31 December 2005</u>	<u>31 December 2004</u>
Cash	-	5,302
Bank Deposits	<u>208,899,391</u>	<u>85,815,222</u>
	<u>208,899,391</u>	<u>85,820,524</u>

31 December 2005

	<u>TRY</u>	<u>Interest Rate</u>	<u>Maturity</u>
Time Deposits			
- Foreign Currency	16,134,112	%5.75	27.03.2006
	9,586,346	%4.60	16.01.2006
	7,495,803	%5.30	14.04.2006
	7,486,906	%4.55	18.01.2006
	6,929,366	%3.75	16.01.2006
	1,538,856	%4.40	09.01.2006
	241,032	%2.00	16.01.2006
	<u>49,412,421</u>		
- TRY	36,487,636	%18.30	13.03.2006
	32,307,278	%18.55	20.03.2006
	27,042,719	%19.25	30.03.2006
	15,007,103	%18.50	23.01.2006
	10,732,332	%18.25	07.02.2006
	8,757,984	%18.50	16.01.2006
	8,139,863	%18.00	09.01.2006
	8,139,863	%18.00	16.01.2006
	5,392,055	%18.00	26.01.2006
	4,192,340	%18.00	03.02.2006
	1,649,881	%18.50	09.01.2006
	1,044,000	%18.25	09.01.2006
	535,893	%14.00	02.01.2006
	50,653	%13.00	02.01.2006
	<u>159,479,600</u>		
- Demand Deposits			
- Foreign Currency	6,165		
- TRY	1,205		
	<u>7,370</u>		
Total	<u>208,899,391</u>		

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31 December 2004

	<u>TRY</u>	<u>Interest Rate</u>	<u>Maturity</u>
Time Deposit	11,902,857	% 3.85	30.06.2005
- Foreign Currency	4,348,319	% 3.50	30.05.2005
	3,970,763	% 4.10	31.10.2005
	3,090,155	% 3.50	13.05.2005
	2,953,149	% 3.50	15.03.2005
	2,940,107	% 3.55	15.04.2005
	2,753,254	% 3.55	28.06.2005
	2,620,461	% 3.50	07.04.2005
	2,478,734	% 3.50	08.06.2005
	2,403,682	% 3.50	17.06.2005
	1,683,716	% 3.50	15.03.2005
	1,669,598	% 3.50	23.03.2005
	1,519,903	% 4.00	07.01.2005
	1,496,684	% 3.50	18.04.2005
	1,500,671	% 3.75	17.05.2005
	1,478,987	% 3.50	15.02.2005
	1,066,698	% 3.24	06.01.2005
	881,861	% 3.60	04.03.2005
	554,379	% 3.25	03.05.2005
	463,022	% 2.60	03.01.2005
Other	<u>238,499</u>		
	<u>52,015,499</u>		
- TRY	12,158,566	% 23.50	24.10.2005
	6,017,385	% 24.00	20.01.2005
	3,811,335	% 24.00	25.01.2005
	2,864,456	% 23.00	03.02.2005
	2,890,822	% 23.50	25.01.2005
	1,370,776	% 17.00	03.01.2005
	1,120,765	% 24.25	10.01.2005
	1,045,449	% 24.40	07.01.2005
	132,041	% 20.00	07.01.2005
Other	<u>958,702</u>		
	<u>32,370,297</u>		
- Demand Deposit			
- Foreign Currency	1,428,205		
- TRY	1,221		
	<u>1,429,426</u>		
	<u>85,815,222</u>		

5. INVESTMENT SECURITIES

Investments comprise of the following:

31 December 2005	Cost Value	Book Value	Market Value	Interest Rate	Maturity
Reversepurchase agreements	15,729	15,747	15,747	% 14.0	-
				% 14.1-	18.01.2006
Government bonds and treasury bills	86,608,681	91,878,896	91,878,896	% 23.7	18.10.2010
				% 5.5-	21.03.2007
Eurobond	9,440,707	9,143,932	9,143,932	% 10.5	05.06.2020
Investment funds	571,587	573,037	573,037		
	<u>96,636,704</u>	<u>101,611,612</u>	<u>101,611,612</u>		

Treasury bills and Eurobonds are treated as available for sale investments. According to IAS 39, the difference between the cost and the amortised cost is recorded to income statement and the difference between fair value and amortised cost are recognized in the statement of equity in "Fair value reserve" account.

31 December 2004	Cost Value	Book Value	Market Value	Interest Rate	Maturity
Reversepurchase agreements	5,882,045	6,088,312	6,088,312	% 14.0-	03.01.2005
				% 19.0	19.01.2005
				% 20.0-	26.01.2005
treasury bills	80,765,133	87,810,804	87,810,804	% 29.4	17.10.2007
				% 3.7-	22.06.2005
Eurobond	29,208,381	29,193,848	29,193,848	% 10.5	10.02.2014
Investment funds	3,399,026	6,072,452	6,072,452		
	<u>119,254,585</u>	<u>129,165,416</u>	<u>129,165,416</u>		

6. ACCOUNTS RECEIVABLE (NET)

Accounts receivable comprise of the following:

	31 December 2005	31 December 2004
Receivable from insurance companies	<u>13,553,492</u>	<u>9,851,065</u>
	<u>13,553,492</u>	<u>9,851,065</u>

Accounts receivables represent the net amount of premiums receivable from insurance companies, after commissions payable.

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7. OTHER ASSETS

	31 December 2005	31 December 2004
Prepaid expenses	6,994,966	2,607,733
	<u>6,994,966</u>	<u>2,607,733</u>

Prepaid expenses represent the payments to reinsurers in the current year; which are related to the following periods.

8. FIXED ASSETS (NET)

	31 December 2005
Furniture and Fixtures:	
Acquisition Cost	
Opening balance 1 January 2005	6,054,048
Additions	22,427
Closing balance as at 31 December 2005	<u>6,076,475</u>
Accumulated Depreciation	
Opening balance 1 January 2005	3,074,504
Charge for the year	1,212,522
Closing balance 31 December 2005	<u>4,287,026</u>
Net book values as at 31 December 2005	<u>1,789,449</u>
Net book values as at 31 December 2004	<u>2,979,544</u>

9. ACCOUNTS PAYABLE (SHORT-TERM)

Accounts payable comprise:

	31 December 2005	31 December 2004
Non - Trade Payables	20,127	41,867
	<u>20,127</u>	<u>41,867</u>

10. ACCOUNTS PAYABLE (LONG-TERM)

Long-term accounts payable represents the guarantees received from all insurance companies, in order to be authorized for sales of earthquake policy issues.

	31 December 2005	31 December 2004
Guarantees received from insurance companies	2,150,905	2,389,473
	<u>2,150,905</u>	<u>2,389,473</u>

11. TECHNICAL INSURANCE RESERVES

	31 December 2005	31 December 2004
Outstanding claims provision	693,235	467,598
Unearned premium reserve	66,967,311	54,715,651
	<u>67,660,546</u>	<u>55,183,249</u>

12. 12. OTHER PAYABLES

	31 December 2005	31 December 2004
Reinsurance expense accruals	4,428,107	7,345,634
Management fee payable to Milli Reasürans T.A.Ş.	352,628	350,847
Other	37,588	41,283
	<u>4,818,323</u>	<u>7,737,764</u>

The operations of T.C.I.P. are managed by Garanti Sigorta. The amount mentioned in the above table represents the unpaid fee for the operations in November and December of 2005 and 2004 respectively.

Reinsurance expense accruals represent the cost of reinsurance coverage which has not been paid yet.

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13. BORROWINGS

The long term loan has been obtained from World Bank mediated by T.C. Treasury Under secretariat for the purpose of covering expenses related to a possible earthquake in the future. USD 37,830,307 of total loan has been withdrawn as at 31 December 2005. Interest accrual related to this loan amounts to USD 514,450 (TRY 690,289).

	31 December 2005	31 December 2004
Interest and fee accruals	690,289	554,425
Short term portion of long term borrowings	7,945,419	1,881,951
	<u>8,635,708</u>	<u>2,436,376</u>
Long term borrowings	42,124,996	52,280,690
Total borrowings	<u>50,760,704</u>	<u>54,717,066</u>

The maturity analysis of the loan is given below:

Year	USD	TRY
2006	6,435,913	8,635,708
2007	6,442,857	8,645,025
2008	6,442,857	8,645,025
2009	6,442,857	8,645,025
2010	6,442,857	8,645,025
2011	5,101,572	6,845,290
2012	521,394	699,606
	<u>37,830,307</u>	<u>50,760,704</u>

14. PREMIUM REVENUE (NET)

Premium revenues consist of gross premiums including the commissions paid to the insurance companies.

	Year Ended 31 December 2005	Year Ended 31 December 2004
Premiums written	161,246,236	138,725,469
Less: unearned premium	(66,967,311)	(54,715,402)
Unearned premium reserve released	54,715,402	46,738,736
	<u>148,994,327</u>	<u>130,748,803</u>

15. COST OF REINSURANCE COVERAGE

These amounts represent the payments made to foreign reinsurers as per the excess of loss reinsurance agreement to cover the earthquake losses

16. CLAIMS (NET)

The components of net claims paid are as follows:

	Year Ended 31 December 2005	Year Ended 31 December 2004
Claims Paid	(5,469,430)	(784,335)
Provision for outstanding claims	(693,235)	(467,598)
Outstanding claims provision released	467,598	122,585
	<u>(5,695,067)</u>	<u>(1,129,348)</u>

17. COMMISSION EXPENSE

	Year Ended 31 December 2005	Year Ended 31 December 2004
Commission expense to insurance companies	(25,164,990)	(21,387,408)
Management fee expense to Garanti Sigorta A.Ş.	(809,368)	-
Management fee expense to Milli Reasürans T.A.Ş.	(3,809,154)	(4,851,297)
	<u>(29,783,512)</u>	<u>(26,238,705)</u>

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18. FINANCIAL INCOME (NET)

	Year Ended 31 December 2005	Year Ended 31 December 2004
Interest income (net) (*)	14,981,226	15,518,246
Income on marketable securities	20,125,871	8,386,616
Foreign exchange gains (net)	(752,088)	(311,217)
	<u>34,355,009</u>	<u>23,593,645</u>

(*) Interest income (net) represents the interest income from time deposits and marketable securities and financing expenses related to the loan from World Bank.

19. COMMITMENTS AND CONTINGENCIES

As of 31 December 2005, the total risk of court cases opened and currently pending against T.C.I.P. amounts to approximately TRY 235,719 (2004: TRY 106,125).

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