



**THE TURKISH CATASTROPHE INSURANCE POOL
COMPULSORY EARTHQUAKE INSURANCE**

ANNUAL REPORT 2011

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Message From The Chairman Of The Board



At the Turkish Catastrophe Insurance Pool (TCIP), we have had a very busy year full of earthquake damage appraisal, payment operations and projects to increase the awareness of Compulsory Earthquake Insurance.

Major earthquakes around the world, especially those in New Zealand and Japan, caused heavy loss of life and severe economic losses. In Turkey there were many big and small tremors in many provinces that constantly reminded us of the fact that Turkey lies in an active earthquake zone. The earthquake in Simav in May, and two earthquakes in Van in October and November, left all of us with tragic experiences due to the loss of life and property they brought with them.

The Van earthquake was an important test for both damage management and for compensating the losses of the insured. I believe that TCIP passed this test with flying colors. TCIP sent insurance appraisers to initiate damage appraisal only five days after the earthquake, making its first payment only ten days after the earthquake. Our appraisers did not only visit policyholders presenting claim notices, but the houses of all of our policyholders in the earthquake zone. Furthermore, we updated all of our policyholders on progress of the process via cell phone messages. We did not allow the very unfavorable conditions created

by the onset of the second earthquake to hinder our damage appraisal efforts. Our forecast of the total damage settlements is that they will exceed 100 million TL. Unfortunately, Van had a very low insurance rate of only 9%. If all buildings had been insured, then we would be expecting to make payments of at least ten times as much as what the current amounts. If all of the other insurance instruments were in place, then most of the economic damage would have been compensated for by insurance payments.

The good news is that lessons have been learned following the recent earthquakes. The proportion of insurance coverage has increased by 12.5%, with 5% of that happening following the Van earthquake. The Simav earthquake resulted in a regional increase. The earthquake in Japan, which was covered extensively by the Turkish media, made a significant contribution to this increase.

From an insurance point of view, the sustainability of this increase promoting the buying of insurance before a catastrophe strikes are two important goals. Our intention is to show the benefits and the importance of Compulsory Earthquake Insurance so that people can stop approaching it with apprehension and begin to see it as a system of social solidarity.

TCIP has developed significant financial and institutional capacity over the 11 years since its foundation. It has become one of the leading catastrophe insurance programs in terms of its claim payment capabilities. Moreover, it has become a role model because of its innovative projects and applications. Our diligence in claim payments following recent earthquakes has increased policyholder satisfaction. The number of dwellings holding Compulsory Earthquake Insurance is now more than 3.8 million.

I believe that over the coming years we will build on top of these success. Our goal is to increase the number of insured households to at least six million and to provide access to ten million property owners through projects that we have launched to increase awareness of earthquakes and insurance. We expect to see an accelerated increase in the number of insured dwellings due to the catastrophe insurance law that will come into effect during 2012.

It is impossible to stop acts of nature, but there is a lot that can be done to prevent them from turning into catastrophes. We can learn from experience, both our own and of others, and take the appropriate measures without delay. Obviously, one of these measures is Compulsory Earthquake Insurance.

At TCIP, we mitigate claims risk through our awareness campaigns and help policyholders to rebuild their lives through our post-claim services. We are looking forward to seeing more support from not only insurance companies and brokers, but also from government institutions, NGOs, universities, opinion leaders and the media. This will lead to the inclusion of a bigger part of the community in this solidarity network, an increase of awareness in earthquakes and insurance and to reinforce the notion of insurance for property owners. It is in this context that we would like to express our gratitude to Deputy Prime Minister Mr. Ali Babacan and to the Undersecretariat of Treasury.

I would like to extend my heartfelt thanks to all of our employees for the value they create through their efforts and commitment, to all our stakeholders for their support, and to all of our policyholders for their trust.

Sincerely yours,

Selamet Yazıcı
THE TURKISH CATASTROPHE
INSURANCE POOL
Chairman of the Board

Message from the General Manager of the Pool Management Company/Eureko Insurance



We are about to leave a year at TCIP during which we successfully managed two large-scale claims operations. The Van earthquake on 23 October 2011 saddened us because of the great loss of life that it brought with it, as well as the great devastation it caused. The Simav earthquake of 19 May 2011 did not cause a heavy loss of life but still had a significant socioeconomic impact on the region because of the material devastation that it caused.

We are proud to have seen that that TCIP performed well in the compensation of the material damage caused by both earthquakes. Even though it is impossible to forget our pain at the loss of so many lives, we believe that we achieved our goal of improving the survivors' lives.

Each earthquake and the subsequent claims operation is a learning experience for us. In this respect, 2011 has been a year of major infrastructural work with the establishment of more ambitious goals for the future alongside our claims operations.

We organized two modeling workshops, one national and one international, that brought together panels of earthquake and insurance experts. In these workshops, we worked on measuring the claims resulting directly from earthquake risks via earthquake modeling of Turkey.

We also organized a series of training seminars to increase TCIP's damage surveyor pool. As a result of these seminars held in İstanbul, Ankara and İzmir over 250 insurance surveyors were trained to become competent in Compulsory Earthquake Insurance.

We have now completed the infrastructural work for our Alo DASK 125 call center, a project that we began in 2011 with the call center becoming operational on 12 March 2012. TCIP is now even more accessible thanks to our three-digit hotline.

We are aware that development and improvement never stops when it comes to technological perfection and we are continuing our efforts in these areas. One of our main priorities in this respect is to establish shared access to the National Address Database by completing our integration with the General Directorate of Land Registry and Cadastre.

We always remain in touch with the community during our ongoing infrastructural improvement efforts. In fact, most of our effort goes into increasing awareness of and participation in Compulsory Earthquake Insurance. The truth is that we are the leaders in this area.

In 2011 we joined the social media for the first time so as to have broader access to a wider audience. More than 26,000 people

joined TCIP's Facebook page in less than a year. We won an award in the Target Segment-Community Loyalty Creation category at the Direct Marketing Awards with our awareness boosting "Earthquakes Happen Everywhere" application on Facebook that we launched on the anniversary of the August 17 earthquake.

Our Fault Lines Truck complete with a earthquake simulation system that traveled in the North and the West during 2010 and along the East fault lines in 2011, won the Community Relations Award at the Corporate Social Responsibility Awards organized by PR News, one of the leading global public relations publications. In 2011 we not only traveled by truck, but got on the train too. Our earthquake simulation car joined Hürriyet's Train Tour across Turkey, organizing seminars and simulation system demonstrations in relation to earthquakes and Compulsory Earthquake Insurance.

One of our most significant projects in 2011 was the "Cities Compete, Policyholders Win" contest we launched under the sponsorship of the Deputy Prime Minister, Mr. Ali Babacan. Bolu, Yalova and Düzce took first, second and third place respectively with the 'Highest Ratio of Policyholders' category. Hakkari, Van and Muş were first, second and third respectively in the 'Highest Increase in Policy Numbers' category. Bursa and Tunceli shared the top spot in the 'Best Compulsory Earthquake Insurance Promotion Campaign'

category. Our biggest win from this project was the effort put into promoting Compulsory Earthquake Insurance by local administration leaders in the provinces, along with the interest of the public in these activities.

TCIP, one of the best examples of a public-private partnership, came out of 2011 once again as a responsible, innovative high-performer in all areas. As the Eureko Insurance, the Pool Management Company, we are very proud and happy to be a part of TCIP's success and to have contributed to the improvement of the Pool. We strive to implement more successful projects each passing year.

At TCIP, in 2012 we will continue our activities seeking to increase awareness and insurance ownership at full speed. We would like to extend our heartfelt thanks to the insurance companies, to the insurance agencies and to the surveyors for their cooperation, to the Directorate of the Treasury for their support, and to the Chairman and members of TCIP Board for their relentless work.

Sincerely yours,

Okan Utkueri
Member of Board
General Manager of the
Pool Management Company,
Eureko Sigorta

CONTENTS

MESSAGE FROM THE CHAIRMAN OF THE BOARD	02	8.9	Text and Information Messaging for Policy Renewals	27
MESSAGE FROM THE GENERAL MANAGER OF THE POOL MANAGEMENT COMPANY, EUREKO INSURANCE	04	8.10	Internet Site	27
		8.11	Alo DASK 125	27
1 GENERAL INFORMATION	08	SECTION 2		29
1.1	08	9 PUBLICITY AND RAISING AWARENESS		30
1.2	10	9.1	Communication Activities	30
1.3	11	9.1.1	Fault Lines Truck and Hürriyet Train	31
1.4	12	9.1.2	Cities Compete, Policyholders Win	31
1.5	12	9.1.3	Short Film Competition	32
1.6	13	9.1.4	Insured Life Program	33
		9.1.5	August 17 Event	33
SECTION 1	15	9.1.6	Modelling Workshops	34
2 TARIFFS AND INSURANCE APPLICATIONS	16	9.1.7	Sector Meeting	34
3 REINSURANCE PROTECTION	17	9.1.8	E-Bulletin	34
4 FUNDS MANAGEMENT	17	9.2	Social Media Activities	34
5 CLAIMS MANAGEMENT	19	9.2.1	Facebook Main Page	36
5.1	19	9.2.2	TCIP and the Hürriyet Train	36
5.2	20	9.2.3	TCIP Short Film Competition	36
5.2.1	20	9.2.4	Earthquakes Happen Everywhere	37
5.2.2	20	9.2.5	Eastern Anatolian Fault Lines Truck	37
5.2.3	23	9.2.6	40 Kuruş a day	38
5.3	23	9.2.7	TCIP Friends Tower	38
6 INFORMATION TECHNOLOGY AND DATA MANAGEMENT	23	9.2.8	Other Activities	38
6.1	24	9.2.9	Page Interactions	38
6.2	25	9.3	Sponsorships	38
6.3	25	9.4	Awards	39
6.4	25			
6.5	25	SECTION 3		41
6.6	25	10 STATISTICS		42
6.7	26	10.1	Policy Production by Year	42
7 OPERATIONS	26	10.2	Policy Production by Companies	43
8 KEY PROJECTS	26	10.3	Policy Production by Months	44
8.1	26	10.4	Insurance Rate by Regions	44
8.2	26	10.5	Insurance Rate by Provinces	45
8.3	26	10.6	Dispersion of Policies by Regions	48
8.4	26	10.7	Dispersion of Policies by Risk Zones	48
8.5	27	10.8	Dispersion of Policies by Construction Year	49
8.6	27	10.9	Dispersion of Policies by Building Area	49
8.7	27			
8.8	27	SECTION 4		51
		11 AUDIT REPORT		52

1 GENERAL INFORMATION

1.1 Natural Catastrophes and Earthquakes

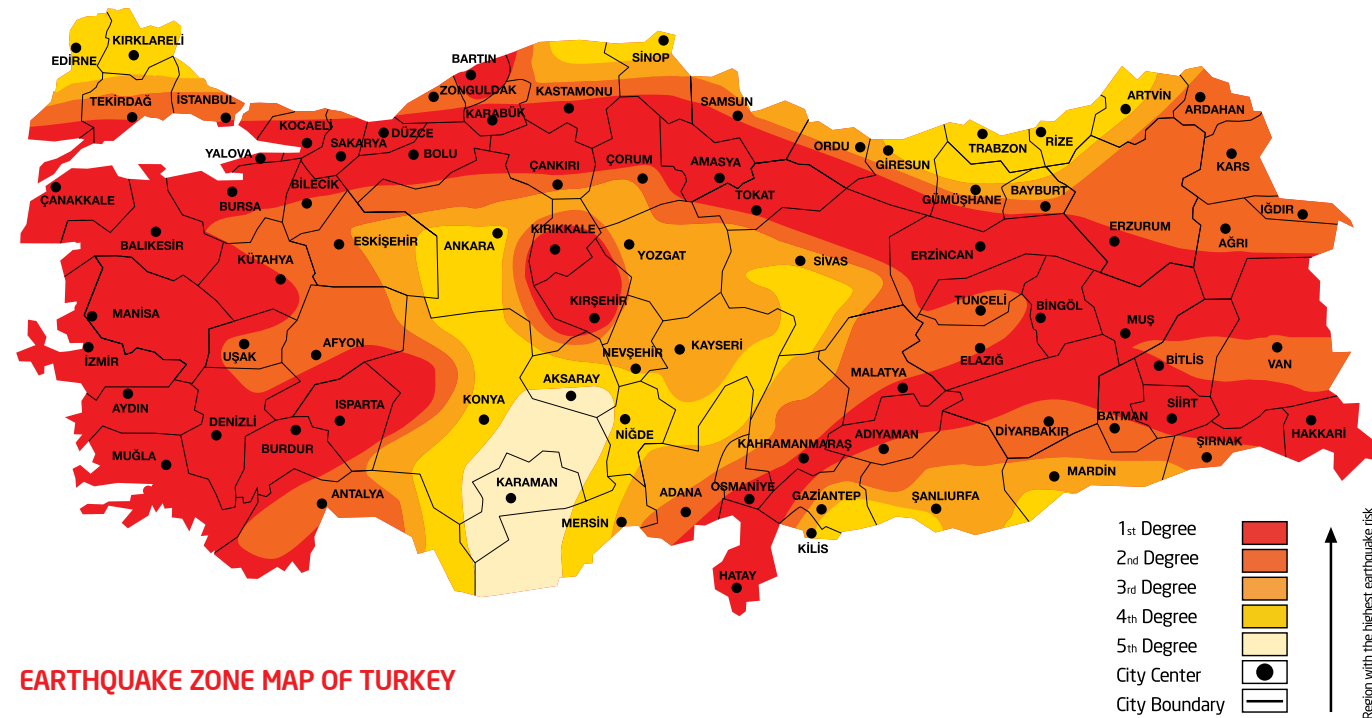
Turkey is prone to earthquakes, floods, landslides and avalanches due to its geology, its topography and its climate. Besides the loss of life, natural catastrophes result in vast physical, social and economic losses for Turkey. In terms of homes destroyed, earthquakes take the first place with 81%.

Worldwide, earthquakes occur in a wide range of magnitudes and impacts, being concentrated in seismic belts. Turkey is located on the Alpine-Himalayan Seismic Belt, one of the biggest seismic belts in the world starting in Indonesia (Java-Sumatra) and reaching the Atlantic Ocean via the Himalayas and the Mediterranean.

Of all of the planet's earthquakes, 17% are located on this 12000km-long belt. This belt is also called the Mediterranean-Area Seismic Belt. With high earthquake activity and lying between the African and Arabian plates, which move northward and northeastward, in the south, and the Eurasian Plates in the north, Turkey is one of the most complex regions in the world.

Turkey is divided into five risk zones on the Earthquake Zones Map published in 1996.

According to this map, 66% of the country, where 71% of the total population lives, lies in first (I) and second (II) degree earthquake zones. Of the 81 provinces, 57 are located in first and second degree earthquake zones.



EARTHQUAKE ZONE MAP OF TURKEY

Major Earthquakes in Turkey since 1990 with Significant Loss of Life and Property

Earthquake	Date	Deaths	Injured	Homeless	Affected Population	Loss in USD million
Erzincan	13.03.1992	653	3,850	95,000	250,000	750
Dinar	01.10.1995	94	240	40,000	120,000	100
Çorum-Amasya	14.08.1996	0	6	9,000	17,000	30
Ceyhan-Adana	27.06.1998	145	1,600	88,000	250,000	500
Bay of Izmir	17.08.1999	17,480	43,953	675,000	15,000,000	13,000
Düzce	12.11.1999	763	4,948	35,000	600,000	750
Afyon-Sultandağı	03.02.2002	42	327	30,000	222,000	96
Bingöl	01.05.2003	177	520	520	245,000	135
Elazığ	08.03.2010	51	NA	NA	NA	NA
Kütahya-Simav	19.05.2011	3	NA	NA	NA	NA
Van	23.10.2011	644	NA	NA	NA	NA
TOTAL		20,052	55,444	972,520	15,000,000	17,105

NA: Not Available
Source: AFAD

The table above lists the magnitude of the impacts of earthquakes since 1990.

Lessons learned from recent natural catastrophes around the world

The record losses and damages caused by the series of earthquakes that started with the Haitian quake in 2010 and continued with earthquakes in Chile, New Zealand and Japan made 2011 a historic year. However, these catastrophes provided the global insurance and reinsurance industry broad experience in catastrophe management. The outcomes can be summarized as below:

- Insurance and reinsurance markets are now more important. Despite the rapid increase in insurance prices in local markets after large catastrophes, it was very difficult to find reinsurance capacity.

- Operational capacity is as crucial as financial capacity in the insurance industry. The enormous operational loads caused by catastrophes require vast resources. Efficient use of these resources in line with previously made plans is a key factor in the success of claims operations.
- Loss of life was less in those countries where building construction regulations are successfully implemented.
- Battling destruction caused by natural catastrophes is only successful through cooperation between industries, institutions, cities, and even countries.
- There can be differences between the risks as modelled by the insurance and reinsurance industry, and the main damage causing risks. The damages caused by liquefaction and loss of

habitable-quality land in the New Zealand earthquakes and the devastation caused by the tsunami after the earthquake in Japan were above and beyond any estimates.

- Despite the existence of scenarios related to economic losses, there were no available scenarios dealing with the social, demographic and political impacts of earthquakes.
- No matter how comprehensive plans are, they need to be constantly updated with realistic assumptions in order to remain consistent with field conditions.
- Battling natural catastrophes' damage is only possible through intensive use of technology coupled with simplified operations.

TCIP is in the process of restructuring its catastrophe management processes and plans in the light of the findings above.

1.2 TCIP's Formation and Purpose

TCIP's Formation

State authorities put in place several measures to minimize damage caused by earthquakes following the devastating Marmara Earthquake of August 17, 1999. One of the most significant of these measures is the Compulsory Earthquake Insurance regulation. "Decree Law Relating to Compulsory Earthquake Insurance" Number 587 was published in the Official Gazette, effective from 27 December 1999.

This decree law made earthquake insurance obligatory for all dwellings as of 27 September 2000 and established the TURKISH CATASTROPHE INSURANCE POOL as a public entity. TCIP began offering cover on 27 September 2000 after 9 months of formative processes. Currently thirty accredited insurance companies and their agents provide Compulsory Earthquake Insurance

in the name of, and on behalf of, TCIP. This newly formed system quickly delivered a successful performance, being proposed by international organizations as a model solution for many other countries.

TCIP is an insurance pool with has public entity status established to provide Compulsory Earthquake Insurance coverage. It is a non-profit organization with specific organizational structure formed through a public - private sector partnership. Its payment capacity is not related to or limited by public budgets.

TCIP's purpose

- In return for an affordable premium, to give insurance protection against earthquakes for all dwellings subject to compulsory earthquake insurance.
- To establish a payment capacity separate from the capital budget.
- To provide a risk sharing mechanism within the country and, at the same time, transfer the financial burden of earthquake damage to the international reinsurance and capital markets via the insurance system.
- Ensure the accumulation of a long term fund for the compensation of earthquake damage.
- To educate and create awareness amongst society and policy-holders.

1.3 TCIP's Organization

TCIP is one of the best examples of a public-private partnership. Technical and administrative operations are carried out by an insurance or reinsurance company as selected by the Undersecretariat of the Treasury through a tender, covering each five-

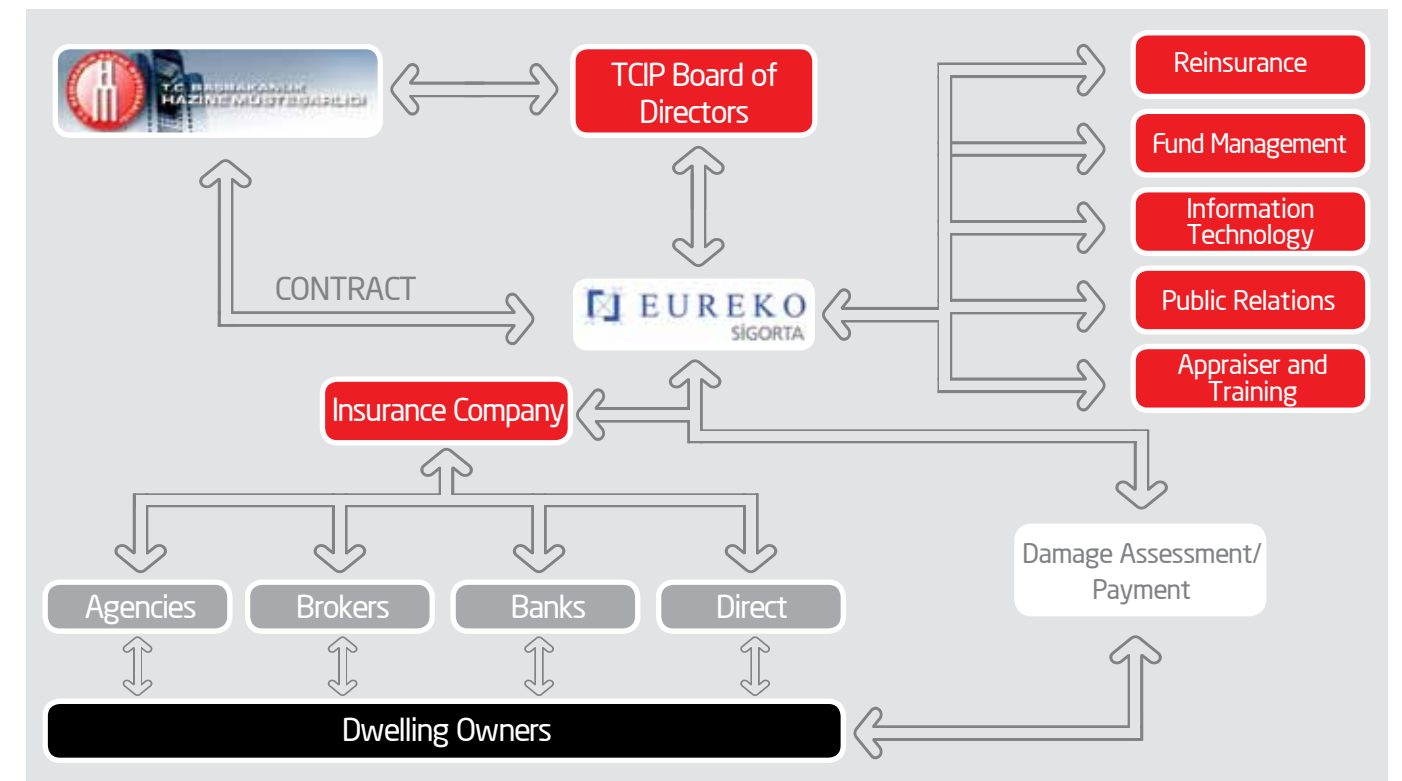
year period. Even though coverage is provided by TCIP, it is the insurance companies who offer Compulsory Earthquake Insurance to dwelling owners. This allows TCIP to maintain effective operations bringing the best from both the public and private sectors.

Today, TCIP works constantly to maintain continuity of existing policies and to include in the system those dwellings that are not currently insured. While TCIP does not depend on the production of new policies to maintain sustainable growth, it conducts major promotional and social responsibility projects in order to build awareness of earthquakes and insurance.

TCIP is technically an insurance pool and thus does not need a physical organization to carry out its business. Thus all of its operations are outsourced in order to maintain effectiveness and to keep costs at a minimum. The entity's organization can be seen in the chart below.

1.4 Board of Directors

TCIP is managed by a Board of Directors consisting of seven members and one chairman. The Board of Directors, which includes representatives from various institutions and establishments, consists of the members listed above.



Chairman and Members of the Board		
Name	Role	Organization and Title
Selamet YAZICI	Chairman	Deputy Director of the Undersecretariat of the Treasury's General Directorate of Insurance
Erhan TUNCAY	Deputy Chairman	General Secretary of the Association of the Insurance and Reinsurance Companies of Turkey
Ercan TIRAŞ	Member	Deputy Director of the Ministry of Public Works and Settlements
Mustafa ÇOLAK	Member	Deputy Director of the Prime Ministry's General Directorate of Personnel and Principles
Bekir Sitki ŞAFAK	Member	Vice President of the Capital Markets Board
Prof. Dr. Mustafa ERDİK	Member	Director of Boğaziçi University Kandilli Observatory and Earthquake Research Institute
H.Okan UTKUERİ	Member	General Manager of the Pool Management Company Eureka Sigorta A.Ş.

1.5 Pool Management Company

The Pool's technical and administrative operations are outsourced. As per the agreement signed with the Undersecretariat of the Treasury in accordance with Statutory Decree No. 587, the maximum contract period of any selected company is five years, following which it is appropriately renewed. For a five-year period from 8 August 2010 and 8 August 2015, TCIP's technical operations will be carried out, for the second time, by Eureka Sigorta A.Ş.

The Pool Management Company is responsible for carrying out all technical and operational work related to TCIP in accordance with the stipulations of the regulations and the service agreement, as well as in line with the procedures and principles set out by TCIP's Board of Directors. The main duties of the Pool Management Company are the following:

- All administrative and operational work required by all stakeholders, including the printing and sending out of policies, the collection of premiums, the assessment of claims and the payment of claims,
- The implementation of risk transfer and reinsurance plans,
- The investing of Pool resources in accordance with relevant principles and limitations, maintaining relations with portfolio

management providers, recording of and accounting for all income, expenses, accounts and transactions of the Pool,

- Carrying out public relations, promotional and training efforts,
- Carrying out written communications with people, institutions and organizations on behalf of the Pool, ensuring appropriate storage of information and documents, purchasing relevant goods and services relevant to the Pool's activities.
- Preparation of reports, studies and information as requested by the Directorate of Treasury.

The principle goals of Eureka Sigorta's TCIP responsibilities are achieving increase in insurance policyholders and the perfection of its claims operations. In this regard, the Pool Management Company should establish control points and sales platforms on behalf of the Pool across the industry in order to increase policy numbers and to build the infrastructure essential for service delivery following an anticipated large-scale Marmara earthquake. It must also build reinsurance programs that will ensure prompt access to the capacity and financial resources of the Pool. All efforts must abide by the fact that the Pool is an institution that follows the principles of social responsibility.

1.6 Compulsory Earthquake Insurance

Compulsory Earthquake Insurance is an insurance system generally designed for dwellings within municipal areas. Eligible buildings under to the Decree Law Relating to Compulsory Earthquake Insurance Nr. 587 are:

- Residential buildings built on land that is privately owned and registered in the land registry,
- Separate sections defined in the Property Ownership Law Nr. 634,
- All separate sections, within these buildings, used for business purposes, offices or similar purposes, and
- Dwellings built by the State for natural catastrophe relief or those built using dedicated loans by the State.

All buildings of shared apartments that satisfy the above conditions, all those not yet classified in the land registry and listed as "land, etc.", and all co-op houses not yet registered in the land registry are also obliged to have Compulsory Earthquake Insurance. Dwellings with no separate deed of ownership can be insured based on the insurers declaration and on information on the land ownership documents.

Compulsory Earthquake Insurance policies are made in the name and on the behalf of TCIP by accredited insurance companies and their agents. Currently thirty accredited insurance companies and their agents provide Compulsory Earthquake Insurance in the name of, and on behalf of, TCIP.

Accredited Insurance Companies

Authorized to Issue Compulsory Earthquake Insurance

- 1 AK SİGORTA A.Ş.
- 2 ALLIANZ SİGORTA A.Ş.
- 3 ANADOLU ANONİM TÜRK SİGORTA ŞTİ.
- 4 ANKARA ANONİM TÜRK SİGORTA ŞTİ.
- 5 AVIVA SİGORTA A.Ş.
- 6 AXA SİGORTA A.Ş.
- 7 CHARTIS SİGORTA A.Ş.
- 8 DEMİR SİGORTA A.Ş.
- 9 DUBAİ GROUP SİGORTA A.Ş.
- 10 ERGO SİGORTA A.Ş.
- 11 EUREKO SİGORTA A.Ş.
- 12 EURO SİGORTA A.Ş.
- 13 GENERALİ SİGORTA A.Ş.
- 14 GROUPAMA SİGORTA A.Ş.
- 15 GÜNEŞ SİGORTA A.Ş.
- 16 HALK SİGORTA A.Ş.
- 17 HDI SİGORTA A.Ş.
- 18 HÜR SİGORTA A.Ş.
- 19 IŞIK SİGORTA A.Ş.
- 20 KORU SİGORTA A.Ş.
- 21 LIBERTY SİGORTA A.Ş.
- 22 MAPFRE GENEL SİGORTA A.Ş.
- 23 NEOVA SİGORTA A.Ş.
- 24 RAY SİGORTA A.Ş.
- 25 SBN SİGORTA A.Ş.
- 26 SOMPO JAPAN SİGORTA A.Ş.
- 27 TÜRK NIPPON SİGORTA A.Ş.
- 28 YAPI KREDİ SİGORTA A.Ş.
- 29 ZÜRİCH SİGORTA A.Ş.
- 30 ZİRAAT SİGORTA A.Ş.

Earthquakes are the most devastating acts of nature given the physical, social and economical damage that they cause. TCIP has established and maintains a solid insurance system that aims to minimize the destruction wrought by earthquakes in Turkey, a country that lies in one of the most complex and earthquake-prone regions in the world.

Section 1 • TARIFFS AND INSURANCE APPLICATIONS • REINSURANCE PROTECTION • FUND MANAGEMENT
• CLAIMS MANAGEMENT • INFORMATION TECHNOLOGY AND DATA MANAGEMENT • OPERATIONS • MAJOR PROJECTS



2 TARIFFS AND INSURANCE APPLICATIONS

Insurance Tariffs and Premium Calculations

The Base Policy Premium is obtained by adding 10 TL (a fixed amount), the amount calculated by applying the tariffs for the earthquake zone and construction type given below, and the insurance cost calculated by following the principles specified below. The fixed amount for risks within the provincial borders of Istanbul is 15 TL. However, no minimum premium shall be lower than 25 TL, regardless of earthquake zone and the type of construction.

Earthquake Tariff Prices per Type of Construction by Regions					
Type of Construction	Zone I ‰	Zone II ‰	Zone III ‰	Zone IV ‰	Zone V ‰
A- Steel, Reinforced Concrete Frame Structures	2.20	1.55	0.83	0.55	0.44
B- Masonry Stone Structures	3.85	2.75	1.43	0.60	0.50
C- Other Structures	5.50	3.53	1.76	0.78	0.58

The Compulsory Earthquake Insurance tariffs were amended by the Tariffs and Instructions issued on 26.12.2012. The following per square meter costs will be valid as of 1.1.2012.

Unit Square Meter Costs per Type of Construction		
	2011	2012
A- Steel, Reinforced Concrete Frame Structures	590 TL	640 TL
B- Masonry Stone Structures	425 TL	460 TL
C- Other Structures	220 TL	240 TL

The sum insured and premium are calculated as follows:

Sum insured = gross area of the dwelling (m²) X unit square meter costs per type of construction (TL)

Premium = (Sum Insured TL x Tariff price (‰)) + Fixed cost
Discounts are applied before the fixed cost is added.

Bulk Policy and Renewal Discounts

- Apartment blocks and building complexes (housing estates) consisting of minimum eight independent sections and subject to Property Law Number 634 are entitled to discounts of 20% on the designated tariff rates for group insurance arranged by the estate administrators.
- If an insurance policy is renewed within 30 days of its expiry, the renewed policy is entitled to a further discount of 20% on designated tariff rates.

Sum Insured

The sum insured is obtained by multiplying the unit cost per square meter for the dwelling's type of construction by the dwelling's gross area (or estimated gross area). The maximum sum insured for any dwelling insured by the Compulsory Earthquake Insurance is 150,000 TL, regardless of earthquake zone and the type of construction.

Period of Exemption and Insurance

Deduction of exemption at a rate of 2% of the sum insured is applied for each damage. THE TURKISH CATASTROPHE INSURANCE POOL is liable for the amount exceeding this exemption amount. For purposes of this exemption procedure, damages occurring within a period of 72 hours following the earthquake are deemed to be due to one single earthquake. The insurance is valid for one year.

Commission Rates

Commission Rates are 12.5% for Istanbul, and 17.5% for those areas outside of Istanbul, over the total Compulsory Earthquake Insurance premiums are to be paid to the authorized insurance companies for those Compulsory Earthquake Insurance policies made by themselves or by their agencies.

However the minimum commission to be paid to an authorized insurance company per insurance policy is 10 TL. Of this commission, 3 TL belongs to the insurance company while 7 TL goes to the agency. If the commission paid to the insurance company exceeds 10 TL, then the agency's commission can be freely determined by agreement between the insurance company and the agency, but it cannot be lower than the minimum amount.

Voluntary Insurance

Only TCIP is authorized to provide Compulsory Earthquake Insurance. However, in those cases where the value of separate sections or buildings insured by Compulsory Earthquake Insurance is higher than the sum insured, the insurance companies may provide voluntary insurance policies for the amount that is over the calculated sum insured, provided that a Compulsory Earthquake Insurance policy is provided.

3 REINSURANCE PROTECTION

The following key factors were taken into account when establishing the Pool's damage payment capability and its reinsurance program;

- providing the opportunity for the development of the Pool's resources
- creating a high-quality and reliable panel of reinsurers
- diversifying coverage and effectively appraising the damage payments to be made from the portfolio

In light of these principles, beside the increase in net retention, protection limits were also increase in order to counter the claims

load created by the growing portfolio. There are ongoing efforts to respond to the Pool's need for increasing capacity and to achieve an optimum placement structure by the promotion of the Pool to international reinsurance markets. The Pool's reinsurance protection scheme has been renewed as of November 1, 2011, in line with the current portfolio. An excess of loss reinsurance protection has been established, consisting of ten sections covering up to eur 1.800 billion and including restructured reinsurance solutions with capital markets.

The Pool's total damage payment capability consists of its own funds and its reinsurance capacities, with this damage payment capability reaching TL 5.5 million as of the end of 2011. The Pool's policy liabilities are monitored regularly and reinsurance protection limits are determined while taking into account dependable damage models prepared by international institutions.

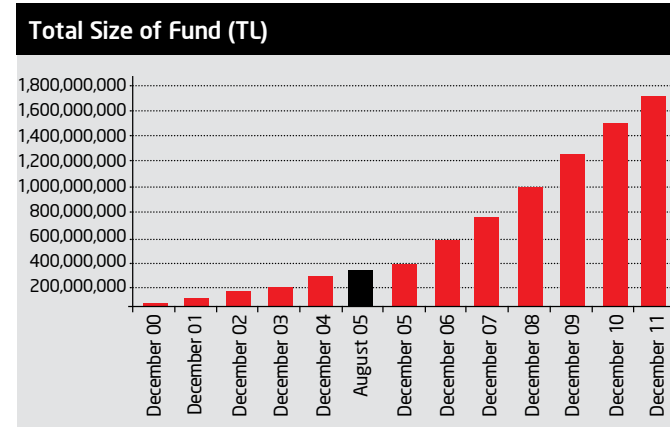
Reinsurance Application Strategy

Premiums paid for reinsurance protection constitute the Pool's largest cash outflows. We put in a great deal of effort each year to achieve the cost and placement structures described above and, as a result, we have managed to achieve optimal placements each year.

- DFA Analysis
- Risk Modeling
- Service Level Agreements
- Alternative Risk Transfer
- Formation of a Brokers Panel
- Placement Strategies

4 FUNDS MANAGEMENT

The Pool's funds are managed in accordance with the additional article Number 1 of the Regulations for The Turkish Catastrophe Insurance Pool's Board of Directors' Working Procedures and Prin-



principles in 2011, as it was in each previous year. Over last year the fund's size grew by 16%, reaching TL 1,661 million.

The fund is managed in accordance with the following principles:

- The key elements are security of the principal, liquidity, and returns,
- To maintain a stable and consistent growth of the fund by the correct interpretation of information, accurate timing and efficient decision making processes, and
- To developing new products in line with economic ideas and the Pool's principles so as to achieve increased returns.

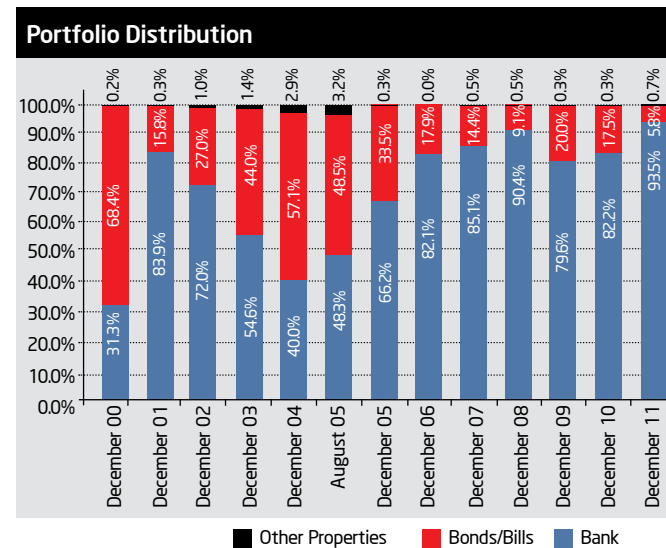
An Investment Committee and an Investment Steering Committee were formed in 2011 in order to ensure a more effective and active management of the fund.

The responsibility of the Investment Committee is the "preparation of the Annual Investment Plan, the buying and selling of investment instruments in line with the investment plan approved by the Investment Steering Committee and the Board of Di-

rectors, the participation in auctions of treasury bills and government bonds, monitoring markets for similar investment actions, communication with other financial institutions, and the performance of all operational procedures". Additionally, the committee evaluates performances of the Pool Management Company and the portfolio management companies using the criteria specified in the annual investment plan. The committee also evaluates and considers the portfolio management company's data, its requests for criteria revisions and its strategic adjustments.

The responsibility of the Investment Steering Committee is to take all executive decisions in relation to the implementation of the Annual Investment Plan that may be required during the course of the year, in light of current developments, and to guide the Investment Committee as it, every week, monitors and assesses the investment process and related operations.

It is these committees that initially established the Pool Investment Principles, prepared the Investment Guidelines and work procedures, and that formed the Annual Investment Strategy



in as appropriate for the fund's current structure, the Pool's liabilities and the current market conditions.

The Investment Committee convenes each week to monitor the money markets, to evaluate investment proposals received from portfolio management companies and banks, and to ensure the achievement of high returns by establishing optimal investment type diversity, maturity diversity and acceptable risk limits. The fund's investment instrument basket contains, mainly, on-call deposits that yield the highest returns in the market's current market; it also includes government bonds, bills and private sector bonds and bills.

With the increasing availability of products, the choice of the right alternative investment instruments at the right time has become a very significant issue in funds management. This increases the importance of working with professional portfolio management companies to ensure portfolio productivity and adequate distribution of risks. Thus the Pool continued to work with portfolio management companies throughout 2011. Three portfolio management companies successfully managed 28% of the total funds. These portfolio management companies are leading companies in terms of asset size. The performances of the portfolio management companies are monitored weekly and evaluated in quarterly meetings with the companies.

The Pool works with banks that have high capital adequacy ratios and that are in the top 10 in terms of assets.

TCIP Investment Committee, at its weekly meetings, will continue to evaluate and consider investment alternatives proposed by banks, portfolio management companies and investment companies located in Turkey in 2012 in line with regulations, the Investment Guidelines and the 2012 Investment Strategy. In 2011, the committee started working on a Pool-specific "Cat Bond", or bill export, and will continue this work in order to play an active role in capital markets.

5 CLAIMS MANAGEMENT

5.1 Claims Payments per Year

A total of TL 47,113,477 in claims payments have been made for the 14,231 claims, resulting from 346 earthquakes, since the launch of Compulsory Earthquake Insurance on 27 September 2000.

In 2011, a total of TL 26,146,490 in claims payments were made for 3,067 claims resulting from thirty-one earthquakes including the 19 May Simav earthquake (magnitude 5.9) and the two Van earthquakes on October 23 and November 9 (magnitudes 7.2 and 5.6 respectively).

After all damage assessment work is completed, it is estimated that the payments for the Van earthquake will reach TL 100 million.

Payments for heavy/complete damage from earthquakes up until 2011 were 3% of total payments, but the Kütahya and Van

Claims Payments per Year (31.12.2011)			
Year	Number of Earthquakes	Number of Files	Payment (TL)
2000	1	6	23,022
2001	17	336	126,052
2002	21	1558	2,284,835
2003	20	2504	5,203,990
2004	31	587	768,927
2005	41	3487	8,118,605
2006	23	500	1,303,673
2007	42	995	1,381,599
2008	45	481	558,849
2009	37	266	497,886
2010	37	444	699,549
2011	31	3067	26,146,490
TOTAL	346	14,231	47,113,477

earthquakes raised this to 8%. Most payments were made towards the repair and reconstruction of damages that did not cause the collapse of buildings. The increase in heavy/total damage payments are a result of the Van earthquakes

5.2 Major Earthquakes in Turkey and the World in 2011

5.2.1 Earthquakes in the World and Their Outcomes

Natural catastrophes have threatened life throughout the history of mankind. Following earthquakes that cause heavy devastation, governments try to help through economic and social relief programs. Insurance companies have been collaborating with governments on a broad sharing of catastrophe risks. They are developing new methods for financing earthquake risks, primarily, along with other catastrophe risks.

Humanity has become more fragile and vulnerable to the economic and financial consequences of natural catastrophes in terms of global prosperity. The increase in economic loss and insured damages have both accelerated.

During 2011, the Van and Simav earthquakes in Turkey and the

earthquakes in Japan and New Zealand have shown us the vital importance of community awareness and resource management.

The following table shows the world's 10 largest earthquake damages in the history of insurance.

5.2.2 Van Earthquakes

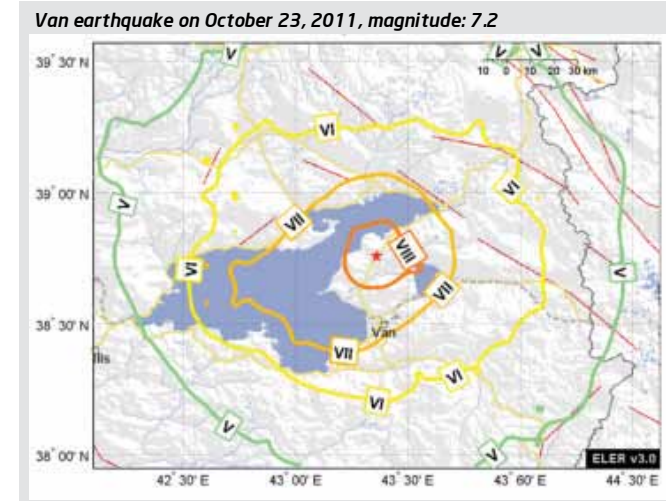
Van experienced a series of large and small earthquakes during 2011, with the largest two occurring on 23 October with a 7.2 magnitude quake and on 9 November with 5.6 magnitude earthquake.

The Pool started damage assessment as soon as the rescue and relief operations concluded. The Pool sent its damage surveyors to the region immediately after the earthquake and started making payments on 4 November 2011, less than two weeks after the earthquake.

As of 31. 12. 2011 there have been a total of 6,346 claims; payments of TL 16,716,300 have been made towards 2,171 of these claims. The final total is expected to be around TL 100 million.

Largest Earthquake Damages in the History of Insurance					
Year	Magnitude	Country	Economic Loss (Million USD)	Insured Loss (Million USD)	Deaths
2011	9.0	Japan	210,000	35,000-40,000	15,840
1994	6.8	USA	44,000	15,300	61
2011	6.1	New Zealand	16,000	13,000	181
2010	8.8	Chile	30,000	8,000	520
2010	7.0	New Zealand	6,500	5,000	---
1995	6.9	Japan	100,000	3,000	6,430
2004	9.0	Southeast Asia	10,000	1,000	220,000
1989	6.2	USA	10,000	960	68
2011	5.9	New Zealand	2,000	800	1
2004	6.6	Japan	28,000	760	46

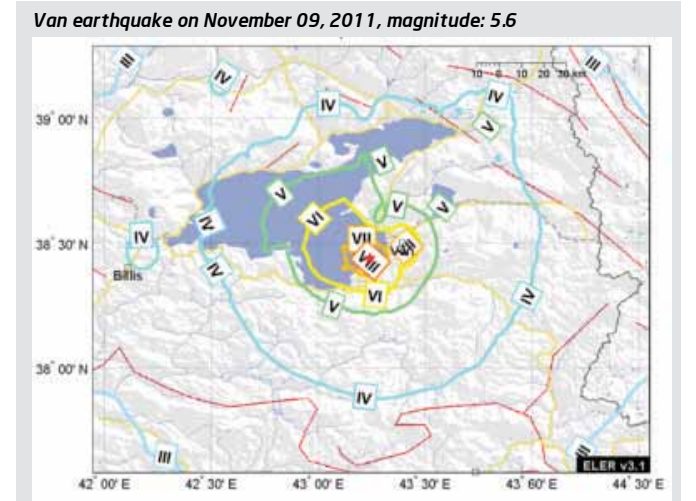
Source: Munich Re Topics Geo, 2011



Source: Boğaziçi University Kandilli Observatory and Earthquake Research Institute

The Van earthquake provided the Pool with a lot of crucial information on catastrophe management and led the way to future studies in this area. The effort provided the Pool with data from many different points for use in the testing and development of the Emergency Catastrophe Action Plan.

Our claim management process was improved and new applications were tested for further improvement. The Pool's main focus



Source: Boğaziçi University Kandilli Observatory and Earthquake Research Institute

was the provision of some relief of the earthquake victims' most urgent needs through Compulsory Earthquake Insurance payments, helping to facilitate their transition back to a normal life. When we look at the earthquake process we see:

- from the very first day we provided information to both policyholders and to agencies via text messages, e-mails and through other communication channels.

Text Messages sent to Clients

Dear customer, we wish you a speedy recovery. Please call 0212 368 08 00 to make any claim notifications. TCIP

Text Messages sent to Clients

Please fax your missing document "DEED" to 0212 2197188 in order to resolve your claim file nr. 11001..... TCIP

E-mail sent to agencies

Dear Agencies;
 We wish all of you a speedy recovery.
 Following the earthquakes in Van on 23.10.2011 23, 2011, we need to avoid insuring damaged buildings. Please make sure that buildings that are being insured for the first time are not damaged before issuing a Compulsory Earthquake Insurance policy. Renewals are exempt from this requirement. Please ask for official documents, photographs or a written declaration from the insured and/or insurer that prove that the building in question is undamaged. Do not issue policies for damaged dwellings.

Message sent on Friday, 27 October 2011 to GSM subscribers in Van, Bitlis, Muş, Hakkari, Siirt and Ağrı.

“Dear citizens. We wish you a speedy recovery. House owners with Compulsory Earthquake Insurance can make claim notifications by calling 0212 3680800 (TCIP).”

- Damage surveyors were sent to the region in the first days following the earthquake to undertake a general assessment and evaluation.
- We designated consultant surveyors to lead and support all surveyors in the region.
- All policies and claim files in Van were grouped by regions and surveyors were assigned accordingly. Hence, by 23 October 2011, surveyors had been assigned to all policies in Van, regardless of the damage status.
- For the first time in the Pool’s history, surveyors were assigned to policies with no claim notifications. Meanwhile, all policyholders were called and informed on the process.

- Coordination and organization meetings were held with all surveyors following their initial assignment. Shared cost amounts were specified to be used in reporting.
- We managed the fastest centralized claims operation to date by having assigned 78 surveyors as of 31 December 2011.
- Issues resulting from missing information on policies were resolved by the committed efforts of surveyors, agencies and TCIP.
- TCIP ensured that policyholders were safe and not overly burdened due to not being able to return to their houses after the earthquake. TCIP also contacted the local administrations and relevant institutions for document procurement.
- The fact that many people left Van temporarily had a debilitating effect on our efforts. Therefore we mainly used cellphones to communicate with policyholders.

There were 6,346 claims notifications from 11 provinces following the Van earthquake. Of these notifications, 90% were from Van, while 6% came from Bitlis and 2% from Ağrı.



The distribution of these notifications by province are shown below.

PROVINCE	NUMBER OF NOTIFICATIONS	PROVINCE	NUMBER OF NOTIFICATIONS
VAN	5,786	ERZURUM	5
BİTLİS	354	SİİRT	2
AĞRI	126	BATMAN	2
MUŞ	33	MARDİN	1
HAKKÂRİ	30	ŞIRNAK	1
DIYARBAKIR	6	TOTAL	6,346

On 23 October 2011 the insurance rate in Van was 9% with 7,305 insured dwellings. This had risen to 17% by 31 December 2011 with 13,481 policies. There was a general increase in policy numbers throughout Turkey during the same period with insurance rate going up by 1 point to 23%, with 3,725,884 policies.

Van earthquake damage assessment efforts

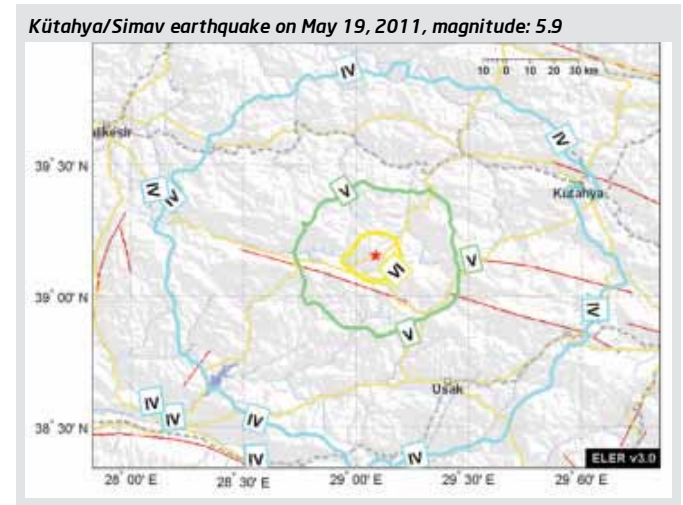
For the first time, we used consultant surveyors for damage management. Five consultant surveyors oversaw ninety surveyors. The consultant surveyors coordinated and supported their own teams. The working conditions in the region deteriorated after the 9 November earthquake and damage assessment efforts were impacted negatively as people left the province.

5.2.3 The Kütahya/Simav earthquake

There were 1,221 claims notifications following the 5.9-magnitude earthquake in Kütahya/Simav on 19 May 2011 with a total of TL 7.5 million being made in payments for 794 of these notifications.

5.3 Surveyor Meetings

Damage assessments were carried out by licensed insurance surveyors working for the insurance industry after being assigned by TCIP. We organized meetings in collaboration with the Turkish Union of Chambers and Commodity Exchanges (TUCC) to



Source: Bağaziçi University Kandilli Observatory and Earthquake Research Institute

increase the number of specialized surveyors. At these meetings we informed them about TCIP’s structure, its operations, the Compulsory Earthquake Insurance and key topics related to damage assessment. The meetings were held with 134 surveyors in Istanbul on 10 June 2011, in with 60 surveyors Izmir on 20 September 2011, and in Ankara on 22 September 2011 with 59 surveyors.

6 INFORMATION TECHNOLOGY AND DATA MANAGEMENT

Our information technology infrastructure and operations management philosophy is to transform TCIP into a beacon of operational efficiency by utilizing technology to its fullest. The Pool sources IT services from Garanti Teknoloji, whose services are on par with internationally accepted highest standards of services.

Our IT management philosophy is based on three main principles:

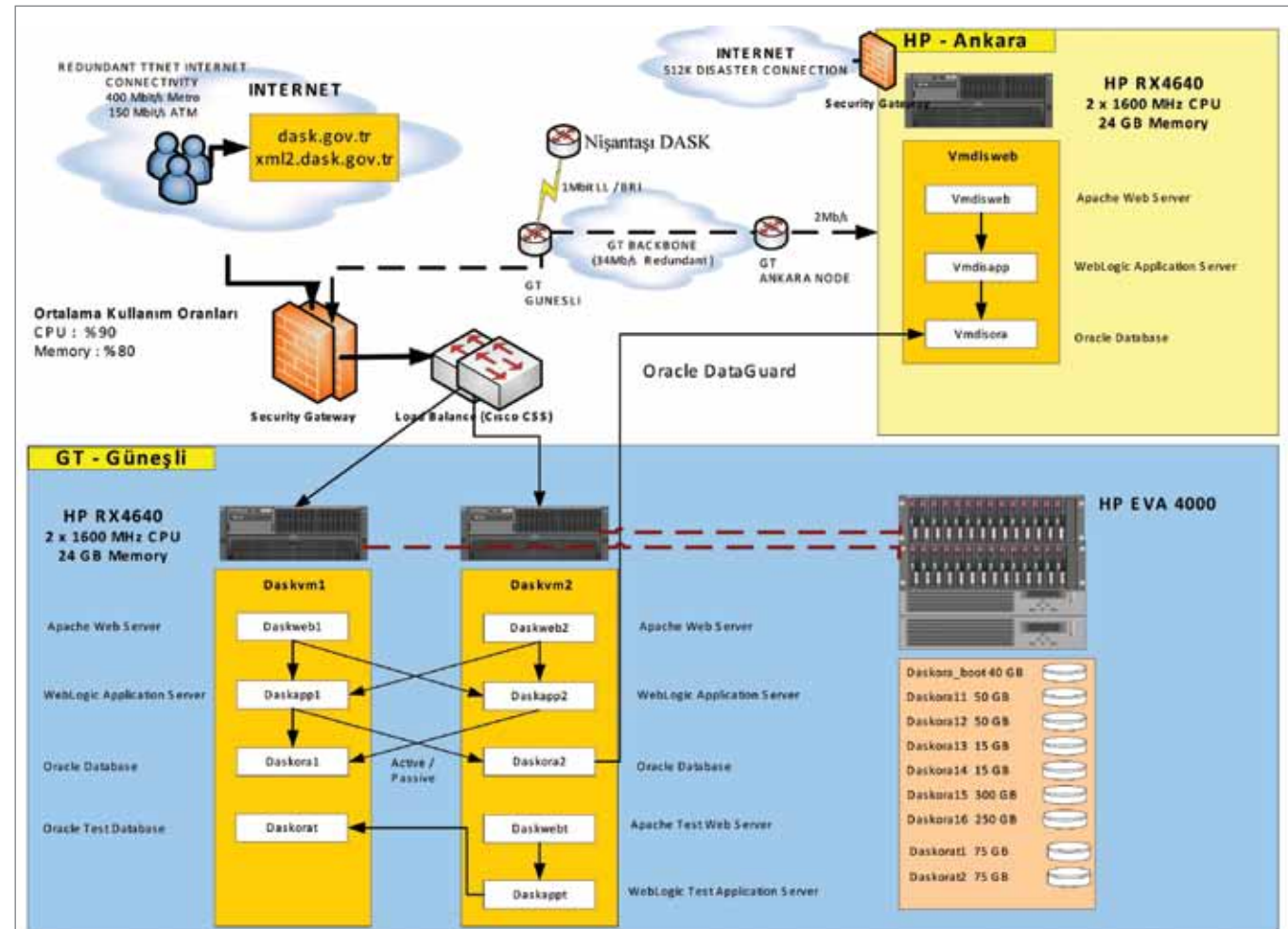
- Use of current and advanced technology
- Implementation of highest level security policies
- Maintaining business continuity

Policy production utilizes realtime data transfers and internet applications, with all policy information being recorded, in real time, in TCIP database.

We have identified that the system has an average service level of 99% with no significant interruptions. We annually test our Business Continuity Center infrastructure in Ankara. To do this we shut down all applications running on our Istanbul servers and activated the Ankara emergency servers. Tests showed us that the Pool can be back in operation within two hours.

6.1 Hosting Services

All TCIP hardware is maintained and managed, on site at Garanti Teknoloji, in accordance with our Service Level Agreements. There is a secure and backed-up 2Mbps IP link between TCIP systems in Istanbul and the Emergency Center in Ankara and a similar 1Mbps IP link between TCIP systems in Gunesli, Istanbul and TCIP users in Altunizade, Istanbul. We have installed all the relevant telecommunications infrastructure services required by these links (router, TDM, PCM infrastructure). The links are monitored and operate 7/24



6.2 Network Management and Service Level Agreements

TCIP operates via a country-wide network provided by Garanti Teknoloji. Garanti Teknoloji has network infrastructures in place in major locations throughout Turkey. There are links from smaller locations to these centers and all distribution channels are served from these locations. As a result, TCIP is able to provide a consistent service from any location in Turkey.

The Garanti Teknoloji's services are monitored around the clock against specific service levels (SLA) and any issues are resolved immediately with reporting done at specific time intervals. TCIP server room is fully equipped with cooling, power, fire protection and security systems; it is fully backed up and prepared for any extraordinary incident. All TCIP hardware are in locked racks. The system room is accessible only to authorized technical personnel and all entries are recorded.

All technical issues and problems in TCIP systems are processed by the Customer Services Center, categorized and resolved according as appropriate for the problem, its criticality and its areas of impact. All TCIP systems are monitored 24/7 and any issues are resolved immediately. Any changes to TCIP are planned and implemented in accordance with accepted change management processes.

The systems' capacity usages are under constant surveillance and the investments made are protected by constant improvements. Analyses are carried out in parallel with the needs for growth and the most relevant and optimal technology is selected. In 2012 we decided to renew all hardware, with this process beginning in 2011.

Currently, job requests pass through a Security Gateway and are routed to two servers according by a Load Balancer. These inputs are routed instantly to the HP Ankara business continuity center. The business continuity center is structured to resume all operations in two hours. Every night backups are automatically made of the TSM servers.

6.3 TCIP Monitoring Services

The following processes are monitored and maintained on a 24-hour basis as part of TCIP services supplied by Garanti Teknoloji

- System accessibility
- Mail operations
- Server
- Network services
- Internet accessibility services
- Internet page accessibility services
- Application accessibility
- Performance management

6.4 Security Architecture and Policies

Garanti Teknoloji provides services related to security architecture and as specified by the policies outlined below. Furthermore it complies with all obligatory Banking Regulations, Supervision Agency and COBIT standards Its Enterprise Information Security Architecture provides an integrated and visionary security approach. Security policies specify principles and rules for projects, processes and for the use of IT assets.

6.5 Central Management of Emergencies

We carry out periodical tests on how our backup servers in Ankara will operate during an emergency. We shut down all applications running on our Istanbul servers and activated Ankara's emergency servers. During this process, all processes and functions of the "Internet" and "GZUB web services" were tested by the company's users. We determined that all emergency servers work without any issues in their current configurations.

6.6 Data Safety and Backup

The existing back-up procedure is performed in a fully automated manner using cutting edge technology and equipment.

6.7 Application Development

The software structure is designed to increasing the insurance ratio, providing a better service to companies and agencies and to supply better damage management in the case of any large

earthquake. The infrastructure allows for easy changes and adaptations to applications, integration between modules, operational efficiency and the satisfaction of all reporting needs.

The existing software was developed using Java and its data is stored in TCIP system's Oracle database. All entries made into the database are also saved offline at the Emergency Center in Ankara. TCIP's system functions with two application servers that run with back-ups. A separate application runs frequently requested reports.

7 OPERATIONS

Increases in policy numbers, awareness, recent earthquakes and developments in damage management have all resulted in increased activity in call center activity and increased document flows.

Operations	Total in 2008	Total in 2009	Total in 2010	Total in 2011
Claims	1,500	721	642	8,050
Call Center	19,724	36,789	26,885	82,746
E-mail	6,320	8,808	3,354	6,850
Policy Lapses	15,000	23,320	6,500	15,125
Written Correspondence	2,511	9,858	546	6,278
TOTAL	45,055	79,496	37,927	119,049

8 KEY PROJECTS

8.1 Reporting

TCIP's evolving needs require more diverse analyses of the data accumulated over the years. We aim to develop applications independent of the Information Technology Unit. These applications will be used by those users who need data and analyses for reporting purposes.

8.2 Land Registry Integration

We aim to put into place automatic evaluation mechanisms that determine the existence of Compulsory Earthquake Insurance

and evaluate the accuracy of information on the deed during any land registry operation. After the integration with Land Registry, Compulsory Earthquake Insurance information will be visible on all transactions at the Land Registry offices, which will decrease the operational workload of Land Registry offices while maintaining a healthier checking mechanism.

8.3 Policy Signing Based on National Address Database (UAVT)

Our aim is for significant compatibility between the current address structure in TCIP system and the national address database. The project targets are as follows:

- Correct and high-quality address structure
- To lead the adoption of the "address code" in general by the different sections of the country
- Maintain an efficient damage management system
- Implementation of system-wide checkpoints for redundant policies etc.
- Efficient determination of insured and uninsured dwellings.
- Up-to-date tracking of address information

For the Pool's future applications it is important that all policies to comply with the national address database.

8.4 Geographic Coordinate Location of Insured Building (Geo-coding)

With the Geo-coding project, which runs in parallel with the UAVT project, we aim to determine the physical coordinates and the country-wide address code of each and every building containing a dwelling in the Address Based Population Registry System and then match and update this data in accordance with the Compulsory Earthquake Insurance policy in TCIP portfolio.

The goals of the project are as follows:

- The accurate estimation of TCIP's own risk
- Accurate damage estimations during periods of high damage volumes

- Geo-coding and constant updating of the current Compulsory Earthquake Insurance portfolio in preparation of the eventual building of an infrastructure that will be used in the Pool's specific risk modelling and in the management of catastrophic damage.

Furthermore, we aim to include the field work associated with the dwellings in the current portfolio in the geo-coding project in order to ascertain the existing risk.

8.5 Updating Agency Information

We aim to integrate active agency information on the TUCC side into our system, via a web service, therefore enabling the transfer of current agency information into our systems by a realtime querying of the license numbers created by insurance companies when they register new agencies.

8.6 Risk Modelling

TCIP aims to have its own modelling in order to achieve healthier portfolio management, to make more efficient claims projections and to play a more active role in the international arena. Modelling is important for accurate analysis of risk and for achieving optimal reinsurance placements. TCIP aims to become a leader in the modeling of the region surrounding Turkey and to build an infrastructure that will set an example in international markets.

8.7 Hardware Replacement

Work has begun on replacing hardware and renewing our IT infrastructure (Istanbul Gunesli and Ankara Emergency Center) in order to satisfy the Pool's evolving application requirements and growth strategy, as well as to achieve an optimal utilization of resources. The new hardware will be used for production, development and to provide emergency services.

8.8 Call Center Calling Service

This project, operational since 2011, involves having 10 call center agents from a professional call center service provider calling

the holders of expired policies to remind them about renewals and to warn them against losing their discounts.

A contract with the same call center company involves an additional 40 additional agents to this team to provide claims services with a 50-strong team following any large earthquake. All agents are kept up-to-date through regular trainings.

Of the policyholders who do not renew their policies, 40% are unreachable due to inaccurate contact information. Of the contacted policyholders, 53% expressed their intent to renew their policies, but only 19% of them did eventually end up renewing their existing policies.

8.9 Text and Information Messaging regarding Policy Renewals

Fifteen days prior to their policy maturity date we send renewal reminder messages to those policyholders with a cell phone number listed in our database. Messages are then sent on the 1st and the 15th day of the month following the renewal month regarding renewals.

8.10 Internet Site

We begun research at the end of 2011 regarding a redesign of our web site. Our aim is to launch this new website in the second half of 2012.

8.11 Alo DASK 125

We intend to use a three-digit call center number for both daily operations and during major catastrophes Our efforts are ongoing to achieve this.

Earthquakes are unavoidable but with relevant measures taken, their consequences can be less tragic. Therefore, TCIP undertakes a range of projects geared towards many communities and segments seeking to increase awareness of earthquakes and to make insurance an important priority.

Section 2 PROMOTIONAL ACTIVITIES FOR RAISING AWARENESS



9 Publicity and Raising Awareness

For promotional work and advertising, the Pool works with the following service providers, all leading companies in their respective fields.

- Communications: Grup 7
- Social Media: Digital Youth
- Advertising Agency: Markom Leo Burnett
- Media Planning and Buying: Zenithoptimedia

The promotion and awareness strategy aims to target four main segments: the public in general, government institutions, distribution channels and opinion leaders. Maximum effort was exerted to reach the public through advertisements in national and regional press, various media, and via special projects like the Hürriyet Train and the North Anatolian Fault Line Truck. We organized events so as to meet local governments, heads of government institutions and agencies during our visits to various provinces.

Our advertisement and promotional strategy was shaped in 2008 using the outcome of a public survey undertaken on a sample representative of all parts of society. Following two years of communications, promotion and advertising activities, we carried out a second survey at the end of 2009 to assess the changes in the data obtained from the 2008 survey. We observed that the awareness of dwelling owners had increased by 18 percentage points to 70%. We plan to conduct another survey during the first half of 2012 in order to measure and assess the outcomes of the activities undertaken in the period since the second survey.

The Pool has a high brand awareness of its Compulsory Earthquake Insurance and TCIP, and it finds it meaningful to focus its attention on strategies that encourage policy purchases.

9.1 Communication Activities

THE TURKISH CATASTROPHE INSURANCE POOL (TCIP) believes that raising earthquake and insurance awareness has a key role in extending the reach of Compulsory Earthquake Insurance. The Pool aims to target a larger population through its numerous projects. TCIP's target segments consist of insurance companies and agencies, dwelling owners, elementary, secondary, high school and university students, academics in fields related to earthquakes, public institutions, and local administrations.

As a part of its awareness efforts, TCIP encourages dwelling owners to buy insurance while addressing elementary and high school students, creating earthquake and insurance awareness at an early age. TCIP collaborates with Bogazici University's Kandilli Observatory and Earthquake Research Institute to organize seminars and applied training programs on earthquakes and Compulsory Earthquake Insurance.

The Pool sees university students as key stakeholders in increasing earthquake and Compulsory Earthquake Insurance awareness and has been engaging this segment through its annual short film competition. TCIP also meets academics active in earthquake studies to maintain a regular exchange of information and opinions with experts in the field.

TCIP communicates regularly with insurance companies and agencies, as well as with government institutions, publicizing Compulsory Earthquake Insurance and optimizing pre-and-post-damage processes. It also sees local administrations as key stakeholders in increasing the insurance rate. Training programs geared towards local administrations have comprise a large share of TCIP's communication activities.

TCIP seeks to use social media and television efficiently, reaching a broad audience all the same time and through the same medi-

um. TCIP's Facebook page reflects the institution's dynamic side. TCIP sponsors the TV show "An Insured Life" on the state TV channel TRT, using the show to communicate directly to dwelling owners and to answer some of their questions.

Some of the major projects TCIP initiated during 2011 were the Fault Lines Truck, the Hürriyet Train, the "Cities Compete, Policyholders Win" Contest, the Short Film Competition, the Facebook page, sponsorship of "An Insured Life" TV show and meetings with stakeholders.

9.1.1 Fault Lines Truck and Hürriyet Train

The Fault Lines Truck is a project that TCIP launched in 2010 in collaboration with Bogazici University's Kandilli Observatory and Earthquake Research Institute (KOERI). The Fault Lines Truck continued through Eastern Anatolia in 2011, increasing earthquake and Compulsory Earthquake Insurance awareness through its earthquake simulation system.

The Fault Lines Truck directly reached 150,000 people on its three tours along the northern, western and eastern fault lines. The project visited sixty-three centers, at each of which KOERI trainers talked about what to do before, during and after an earthquake and the importance of Compulsory Earthquake Insurance

in a total of more than 300 seminars. The attendees also had the opportunity experience an earthquake in the truck, which can simulate the 7.4-magnitude Kocaeli earthquake.

The project was awarded an honorable mention in the Community Relations category at the Corporate Social Responsibility Awards of the PR News magazine, which is one of the most respected publications in the public relations industry. It was also one of the finalists in the international PR contest Sabre Awards.

TCIP also took added its earthquake simulator car to the Hürriyet Train's 2011 Turkey tour. During its 32-day journey the train stopped in 25 provinces. This was TCIP's second tour with the train, the first being in 2009.

TCIP has toured five times in the past three years with the Fault Lines Truck and the Hürriyet Train, visited more than 130 centers, and communicated directly with more than 300,000 people. Its KOERI trainers have given more than 400 seminars.

9.1.2 Cities Compete, Policyholders Win

One of our most significant projects of the year was the "Cities Compete, Policyholders Win" contest we launched in 2011 with the support of the Deputy Prime Minister Mr. Ali Babacan. There were three categories in the contest covering all 81 provinces





of Turkey: the highest ratio of policyholders; the highest increase in policy numbers; the Best Compulsory Earthquake Insurance promotion campaign. TCIP contacted and collaborated with governors, municipalities, and provincial catastrophe and emergency directorates in this contest seeking to increase the number of dwellings holding Compulsory Earthquake Insurance.

Bolu (46%), Yalova (42%) and Düzce (40%) took first, second and third place respectively in the 'Highest Ratio of Policyholders' category. Hakkari, Van and Muş were first, second and third respectively in the 'Highest Increase in Policy Numbers' category. Bursa and Tunceli shared the top spot in the 'Best Compulsory Earthquake Insurance Promotion Campaign' category.

The winners of each of the three categories of "Cities Compete, Policyholders Win" will be rewarded with a TCIP Safe Life Park. These parks will be in a central location, open to the public and will contain a playground, a walking track, green areas, training materials on earthquakes and Compulsory Earthquake Insurance,

as well as a small open-air movie theater. Their construction will begin in 2012 and be completed by the end of the year. Provinces who take second and third places will be rewarded with materials for earthquakes to be used by the Provincial Catastrophe and Emergency Directorates.

9.1.3 Short Film Competition

Since 2009 TCIP has been organizing a short film competition for university students. For the first two years the competition was open only to communications school students but, as of 2011, is now open to fine arts students as well. The competition in 2011 was themed "Do not leave earthquakes to fate!" and students competed for making the best film about the fact that earthquake risks can be managed and loss of life and property is not necessarily a natural outcome of earthquakes.

Ferhat Korkmaz from Ankara University won first prize with his film "Pens (Tükenmez Kalemler)", while Mesut Zümre of Akdeniz University came second with "Flower Pot (Saksı)", and Kerem Altın of Ege

University came third with "The Call (Çağrı)". The audience award, which consists of audience votes cast on TCIP's Facebook page (<http://www.facebook.com/dask>) went to Doğan Hazar İskenderoğlu of Ankara University with "Stop" and to Hüseyin Sert of Ege University with "Don't Let the Earthquake Reach You".

The Third TCIP Short Film Competition was awarded a MacBook Pro and Sony HXR - MC2000E camera, while the second and third place winner received a MacBook Pro and an iMac respectively. Two contestants received audience awards as a result of internet voting. These two contestants received a Canon SLR and a Canon Compact digital camera respectively.

The Third TCIP Third Short Film Competition;

- Anadolu University Communications Department Lecturer Prof. Dr. Ali Murat Vural, Galatasaray University Communications Department Lecturer Prof. Dr. Özden Cankaya, İstanbul University Communications Department Lecturer Prof. Dr. Suat Gezgin, Maltepe University Dean of Communications Department Prof. Dr. Peyami Çelikkcan,



- Award-winning directors Derviş Zaim and Üstün Barışta,
- Actress Burcu Kara,
- Film critic Mehmet Açar
- Turkish Insurance and Reinsurance Companies Union Public Relations Director Gamze Diler and TCIP General Secretary Serpil Öztürk

were members of the jury.

9.1.4 Insured Life Program

Turkey's only show on earthquakes is broadcast on TRT's Haber channel under TCIP's sponsorship every second Saturday at 9.15am. TCIP managers and executives are frequent guest on the show and Noyan Doğan, one of Turkey's leading writers on earthquakes, is the subject matter expert. The main topics discussed on the show are the impacts and consequences of recent earthquakes, provinces' insurance rates, activities for promoting Compulsory Earthquake Insurance, recent earthquake studies, research and opinions by academics. The show is live and audiences can ask questions of TCIP representatives live over the telephone, via e-mail or through the social media.

9.1.5 August 17 Event

The Fault Lines Truck which contains an earthquake simulator that simulates the 7.4-magnitude Kocaeli earthquake, a joint project between TCIP and KOERI to create earthquake and Compulsory Earthquake Insurance awareness, was in Beşiktaş Square between 16 - 21 August 2011, on the 11th anniversary of August 17.

Its first stop on August 17 was the Hürriyet Media Towers, where Hürriyet writers and employees took part in earthquake, earthquake protection and Compulsory Earthquake Insurance training, experiencing the 7.4-magnitude Marmara earthquake in the simulator.

9.1.6 Modelling Workshops

TCIP hosted the National Modelling Workshop and the International Modelling Workshop in 2011.

The National Modelling Workshop which took place on 15 March 2011 focused on measuring claims directly created by earthquake risks, measures to minimize earthquake damage and action plans for dealing with claims efficiently following an earthquake. There were also comparative studies of the Compulsory Earthquake Insurance and similar systems in other countries.

Academics from Bogazici, İstanbul Technical and Middle Eastern universities presented their research results. Representatives from Catastrophe and Emergency Management Directorate, the İstanbul Municipality and Allianz also delivered presentations.

There were twenty-one presentations on earthquake issues during the workshop which was attended by 100 people from the Catastrophe and Emergency Management Directorate, the İstanbul Municipality, academics and representatives of insurance companies.

On 23 July 2011 TCIP hosted an International Modelling Workshop complete with the participation of reinsurance company representatives. This International Modelling Workshop was a sequel to the National Modeling Workshop on 15 March, both aiming to increase our knowledge and experience in this field. A total of twenty-seven experts from ten companies attended the workshop. In these workshops, experts gave presentations about measuring claims directly created by earthquake risks and about earthquake modelling in Turkey.

9.1.7 Sector Meeting

TCIP focuses its communication efforts on building awareness on earthquake and insurance, specifically to do with

Compulsory Earthquake Insurance. TCIP's target segments are children, teenagers, dwelling owners, and local administrators each group with which it maintains face-to-face communication channels.

TCIP maintains close relationships with opinion leaders and business partners in order to promote Compulsory Earthquake Insurance. It organized the "TCIP Listens to the Sector" meetings that brought senior executives from insurance companies together.

Senior executives from insurance companies and Compulsory Earthquake Insurance managers met on 15 February 2011 to exchange recent developments on Compulsory Earthquake Insurance, discuss solution options and come up with short-term and long-term roadmaps.

9.1.8 E-Bulletin

Since 2010, TCIP has been releasing an e-bulletin to its agencies so it can share the Pool's monthly activities and projects. We working together with 16,000 agencies associated with 29 insurance companies across Turkey. The E-bulletins contain recent quantitative data from TCIP accompanied by activity news; they aim to maintain and strengthen the Pool's strong ties to the agency community.

9.2 Social Media Activities

TCIP launched its own Facebook page in May 2011 seeking to increase Compulsory Earthquake Insurance awareness.

Facebook allows TCIP to engage users from diverse socio-economic groups, ages and genders.

Facebook does not normally allow four-character-long group names, but made DASK (TCIP) available to us because of our mission.



Besides Facebook applications like Earthquakes Happen Everywhere, 40 Kuruş a Day and Friend Tower, we also conduct conventional public relations online. We published six different projects during the first eight months of the year in which we shared content on Compulsory Earthquake Insurance, developments on earthquakes in Turkey and elsewhere.

Between 10 May 2011 and 10 January 2012 the page was liked by 26,154 users. Content was viewed 1,790,512 times (including by non-members) and commented on 4,076 times.

The interaction rate during this period was 23%, 2 percentage points higher than the Facebook average (21%). More than half of facebook's users are between the ages of 18 and 34, and two thirds are male, which means we have reached a group who are actual or potential property owners.

We won an award in the Target Segment-Community Loyalty Creation category at the Direct Marketing Awards for our awareness boosting "Earthquakes Happen Everywhere" application on Facebook which draws users' attention to earthquakes by allowing them to demolish the page and to Compulsory Earthquake Insurance by rebuilding it.



Outcomes of TCIP's presence in social media are:

- TCIP and TCIP activities in the social media have received a lot of attention.
- Opinions of TCIP in the social media were generally positive.
- Awareness efforts and positive comments dissipated most of the question marks in the minds of our target audience.

Six Facebook applications were launched in 2011:

9.2.1 Facebook Main Page



9.2.2 TCIP and Hürriyet Train

- A special tab was prepared for TCIP's tour of Turkey on the Hürriyet Train.
- The "Send a photo of yourself with TCIP car" activity in which participants were awarded with a TCIP earthquake kit band and a TCIP hat was a very successful event that linked the offline world to the online, drawing attention to TCIP's activities on the Hürriyet Train.



- On this tab users were able to access the itinerary of the Hürriyet Train and TCIP, view the previous day's photos either on a map of Turkey or on the itinerary timeline.

9.2.3 TCIP Short Film Competition

- TCIP Short Film Competition was very popular among users.
- The number of people who installed the application, as well as the number of voters, were both very high.



9.2.4 Earthquakes Everywhere

- Earthquakes Everywhere is an application totally unique in social media, and was implemented by Facebook's special permission.
- It was used intensely between the 16th and 18th of August.
- The application won an award in the Social Media Marketing Target Segment-Community Loyalty category at the Direct Marketing Communicators Association.



9.2.5 Eastern Anatolian Fault Lines Truck

- The Eastern Anatolian Fault Lines Truck page informs users about our itinerary.
- Users who won earthquake kit bags were very positive about their experience.



9.2.6 40 Kuruş a day

- We asked users questions every day and put 40 kuruş in their personal piggy banks per correct answer.
- People with the highest amount of money in their piggy banks were awarded with wonderful prizes.
- This project was an overall success in creating earthquake awareness in users.

9.2.7 TCIP Friends Tower

- Our TCIP Friends Tower application was very popular among users.
- We managed to attract a large number of new fans and reached our annual fan number target on 25,000 fans.



- Users reported that they found the game a lot of fun and played it constantly.

9.2.8 Other Activities

We shared 48 excerpts from our 'Insured Life Programs' on our TCIP Facebook page, reaching 83,284 people.



9.2.9 Page Interactions



9.3 Sponsorships

- We sponsored the "We can be more hopeful for the future" panel organized by the Insurance Agencies Association and held on 14 December 2011, where the earthquake reality in Turkey and the development of TCIP insurance was discussed.

- We sponsored the printing of catastrophe awareness brochures prepared by the İzmir Governorship
- We sponsored the Seventh National Earthquake Engineering Conference organized by the İstanbul branch of Chamber of Civil Engineers.
- We sponsored the earthquake-themed "Catastrophes and Protection" poster and writing competition among elementary and secondary schools organized by the Bursa Provincial Catastrophe Directorate.
- We sponsor the Turkish Earthquake Foundation.

9.4. Awards

2011 Social Media Award



Digital Youth received the Direct Marketing Award in the Target Segment-Community Loyalty category for its "Earthquakes

Happen Everywhere" campaign.

MediaCat Out of Home Awards (Outdoor) Award 2011

Creativity Special Prize - Zenithoptimedia Media Agency "TCIP You Will Survive" Stand implementation

The 23rd Crystal Apple Awards 2011

TCIP won awards in 7 categories at the 23rd Crystal Apple

- In Television, 2nd place in Insurance and Other Financial Services category, Markom Leo Burnett Advertising Agency
- In Print Media, 2nd place in Insurance and Other Financial Services category, Markom Leo Burnett Advertising Agency



- In Outdoor Advertising, 2nd place in Services, Markom Leo Burnett Advertising Agency
- Crystal Apple in Media Usage, Markom Leo Burnett Advertising Agency - ZenithOptimedia
- Crystal Apple in Best Commercial Film, Kala Film Reklam ve Tanıtım
- Crystal Apple in Multimedia Campaigns, Services category, Markom Leo Burnett Advertising Agency
- Crystal Apple in Media Advertising, Markom Leo Burnett Advertising Agency

PR News 2011 Honorable Mention

Honorable mention of Fault Lines Truck project in the PR News Social Responsibility Competition

You can't escape earthquakes! There have been frequent earthquakes in Turkey and the rest of the world in the recent years. The good news is that lessons have been learned following the recent earthquakes. The share of insurance coverage increased by 12.5%, 5% of which happened after the Van earthquake. People who trusted in TCIP were able to reclaim their economic losses quickly.

Section 3 STATISTICS

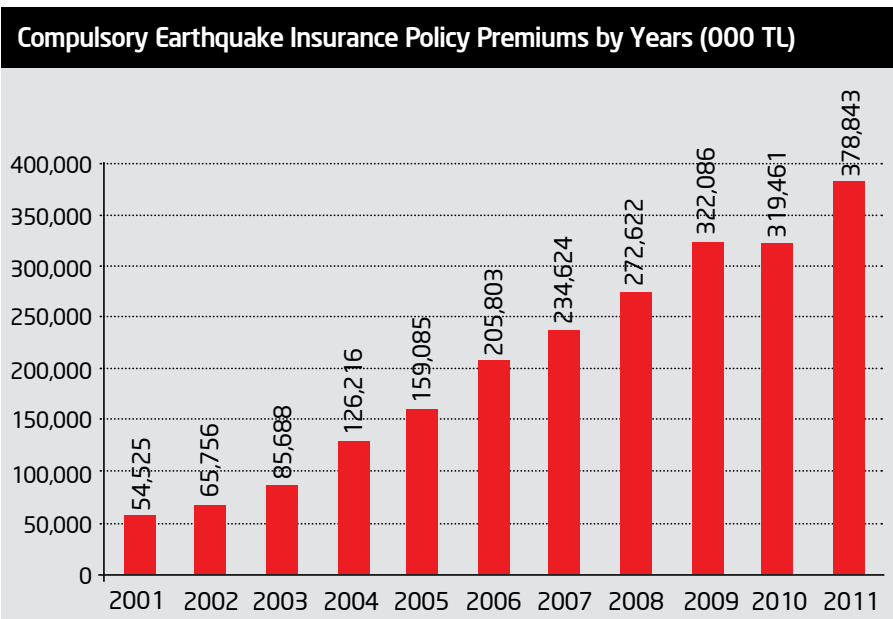
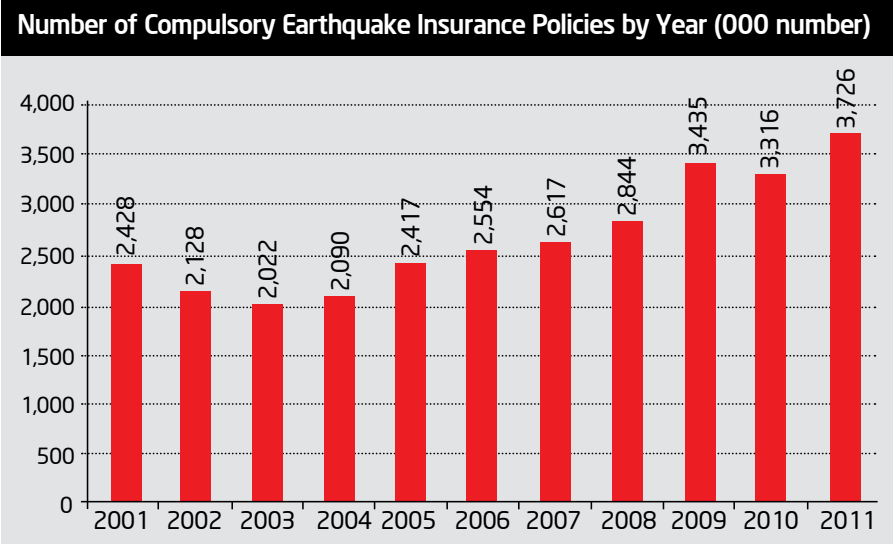


10 STATISTICS

10.1 Policy Production by Year

One of our most significant goals has been to increase our policy numbers and distribution following to the tragic earthquake in 1999 and our nation's high earthquake risks. The Number of Compulsory Earthquake Insurance policies has gradually increased every year to reach 3.7 million. The share of dwellings in Turkey with Compulsory Earthquake Insurance has risen to 23%

Note: The amendments in 2009 to the Property Ownership Law to facilitate the transition from apartment sharing to property ownership, and the discussion about making Compulsory Earthquake Insurance a requirement for this transition, had positive effects on policy production. However, this clause was excluded in the final version of the law and resulted in a downturn in the period following this date.



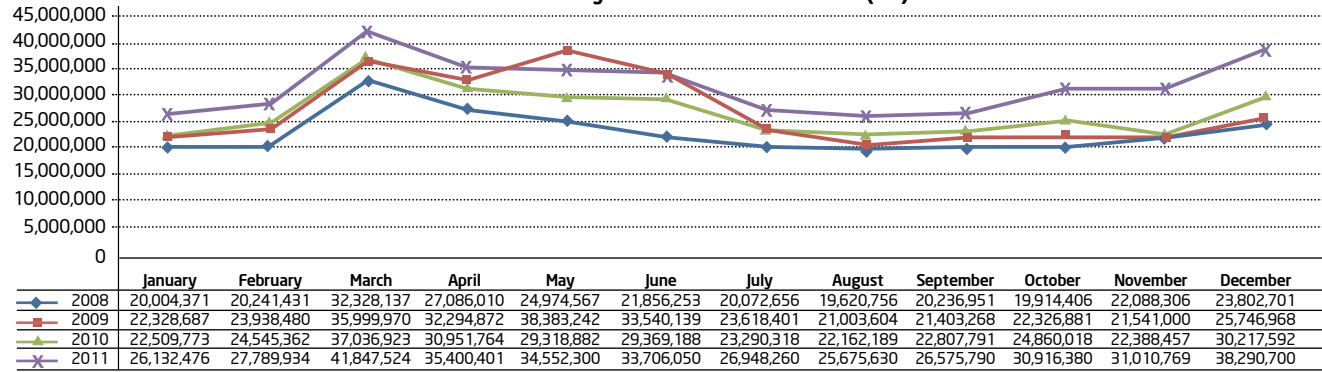
10.2 Policy Production by Companies

Compulsory Earthquake Insurance Policy Production Report (as of 31.12.2011)

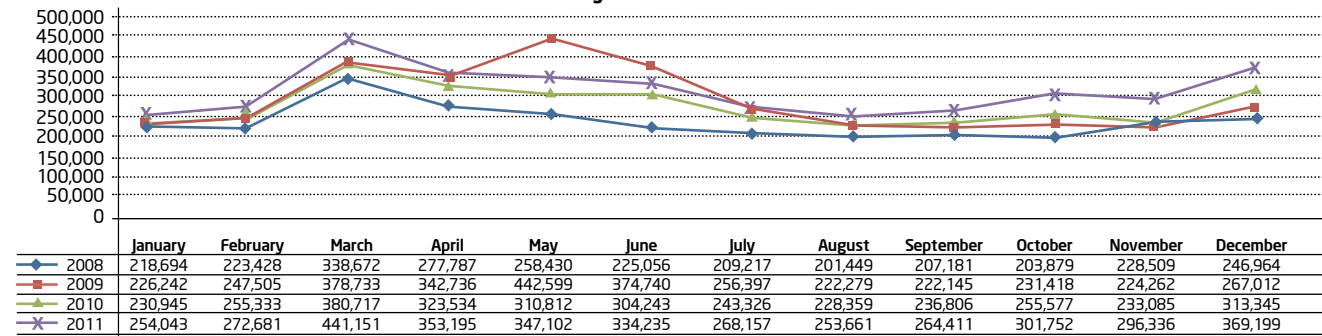
Company	2010		2011		Policy Increase %
	Number of Policies	Policy Share %	Number of Policies	Policy Share %	
AXA SİGORTA A.Ş.	469,742	14.17	507,803	13.63	8.10
ANADOLU SİGORTA	385,850	11.64	430,799	11.56	11.65
ZİRAAT SİGORTA A.Ş.	269,649	8.13	321,789	8.64	19.34
GÜNEŞ SİGORTA A.Ş.	259,086	7.81	288,766	7.75	11.46
AKSİGORTA A.Ş.	238,631	7.20	273,787	7.35	14.73
GROUPAMA SİGORTA A.Ş.	187,757	5.66	169,039	4.54	-9.97
YAPI KREDİ SİGORTA A.Ş.	179,489	5.41	207,813	5.58	15.78
ALLIANZ SİGORTA A.Ş.	156,091	4.71	155,063	4.16	-0.66
EUREKO SİGORTA A.Ş.	150,101	4.53	179,637	4.82	19.68
ERGO SİGORTA A.Ş.	149,155	4.50	171,270	4.60	14.83
HALK SİGORTA A.Ş.	144,784	4.37	187,579	5.03	29.56
SOMPO JAPAN SİGORTA A.Ş.	134,482	4.06	127,419	3.42	-5.25
RAY SİGORTA A.Ş.	86,220	2.60	56,664	1.52	-34.28
MAPFRE GENEL SİGORTA A.Ş.	76,732	2.31	74,232	1.99	-3.26
IŞIK SİGORTA A.Ş.	73,807	2.23	99,931	2.68	35.40
HDI SİGORTA A.Ş.	69,507	2.10	84,957	2.28	22.23
AVIVA SİGORTA A.Ş.	43,170	1.30	36,054	0.97	-16.48
ZURICH SİGORTA A.Ş.	42,604	1.28	100,054	2.69	134.85
ANKARA ANONİM TÜRK SİGORTA ŞİRKETİ	30,802	0.93	28,640	0.77	-7.02
DUBAI GROUP SİGORTA A.Ş.	29,829	0.90	39,273	1.05	31.66
GENERALİ SİGORTA A.Ş.	26,047	0.79	26,158	0.70	0.43
HÜR SİGORTA A.Ş.	23,135	0.70	24,815	0.67	7.26
NEOVA SİGORTA A.Ş.	22,355	0.67	42,441	1.14	89.85
LIBERTY SİGORTA A.Ş.	21,495	0.65	30,044	0.81	39.77
SBN SİGORTA A.Ş.	18,892	0.57	19,733	0.53	4.45
EURO SİGORTA A.Ş.	14,927	0.45	22,374	0.60	49.89
CHARTIS SİGORTA A.Ş.	5,047	0.15	5,277	0.14	4.56
TÜRK NIPPON SİGORTA A.Ş.	4,345	0.13	10,377	0.28	138.83
DEMİR SİGORTA A.Ş.	2,257	0.07	3,815	0.10	69.03
KORU SİGORTA A.Ş.	0	0.00	281	0.01	0
TOTAL	3,315,988	100.00	3,725,884	100.00	12.36

10.3 Policy Production by Months

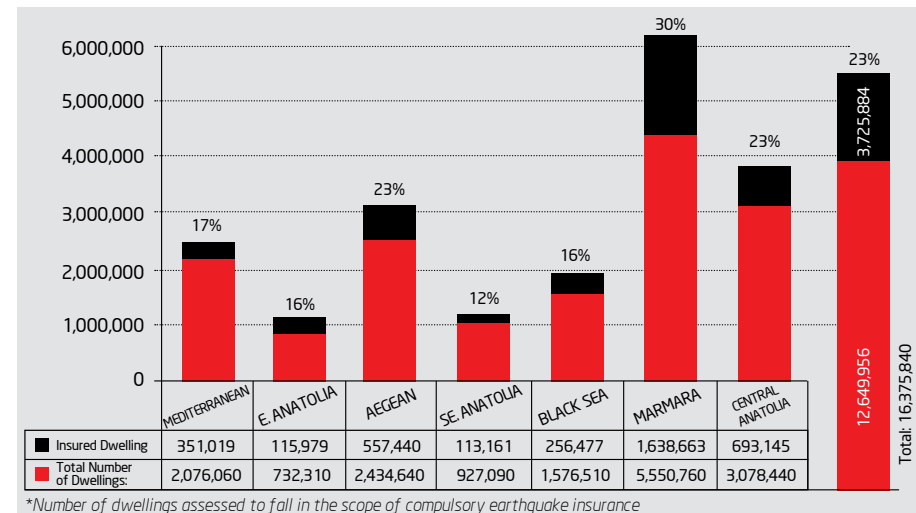
Policy Premium Production (TL)



Policy Production Amounts



10.4 Insurance Rate by Regions



10.5 Insurance Rate by Provinces

A study on the results of the dwelling census in 2010 by TCIP revealed the number of dwellings required to have compulsory earthquake insurance to be 16.8 million. Number of dwellings by

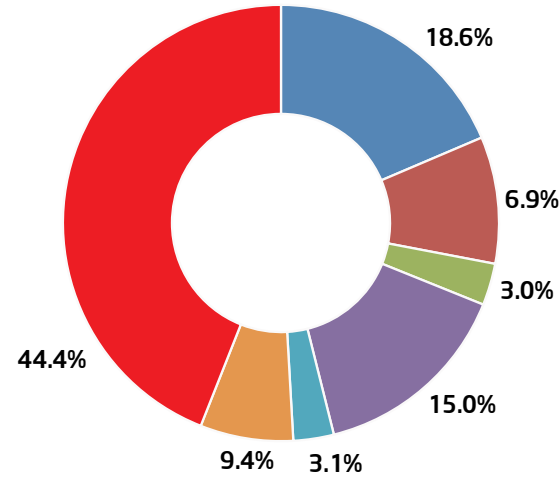
province and information on insurance in the scope of this study are available in the table below.

REGIONS AND PROVINCES	TOTAL DWELLINGS	INSURED DWELLING	INSURANCE RATIOS %	COVERAGE (TL)	PREMIUM (TL)	RISK RATE	100 m ² PREMIUM FOR (TL)
AEGEAN REGION	2,434,640	557,440	22.9	34,091,326,075	71,002,419		
MUĞLA	228,360	74,342	32.6	4,209,390,315	9,046,561	1	150
İZMİR	1,040,740	262,932	25.3	16,442,278,885	34,490,308	1	150
DENİZLİ	231,350	45,590	19.7	3,178,449,525	6,593,033	1	150
AYDIN	262,040	65,361	24.9	3,805,538,785	8,258,967	1	150
UŞAK	78,630	12,363	15.7	798,371,030	1,295,404	2	109
MANİSA	289,310	46,324	16.0	2,759,013,690	5,958,548	1	150
AFYON KARAHİSAR	160,360	25,568	15.9	1,428,609,900	2,681,356	2	109
KÜTAHYA	143,850	24,960	17.4	1,469,673,945	2,678,243	2	109
MEDITERRANEAN REGION	2,076,060	351,019	16.9	23,694,939,815	34,702,759		
ANTALYA	546,530	123,828	22.7	7,872,062,665	10,939,371	2	109
MERSİN	418,770	72,382	17.3	5,198,398,285	4,249,381	3	63
ADANA	425,810	63,928	15.0	4,942,774,610	7,470,648	2	109
BURDUR	60,090	8,527	14.2	495,421,145	1,116,650	1	150
İSPARTA	116,820	17,978	15.4	1,021,469,590	2,273,880	1	150
HATAY	249,960	34,490	13.8	2,153,802,190	4,642,542	1	150
OSMANİYE	82,670	10,846	13.1	732,809,420	1,501,349	1	150
K.MARAŞ	175,410	19,040	10.9	1,278,201,910	2,508,938	1	150
EASTERN ANATOLIA REGION	732,310	115,979	15.8	7,879,914,170	14,450,073		
ERZİNCAN	42,630	12,913	30.3	773,285,410	1,712,392	1	150
TUNCELİ	13,920	2,430	17.5	155,123,980	254,445	2	109
ERZURUM	113,170	17,763	15.7	1,244,746,760	1,933,322	2	109
KARS	30,450	3,920	12.9	236,098,195	382,382	2	109
ELAZIĞ	112,710	19,872	17.6	1,453,636,460	2,335,172	2	109

REGIONS AND PROVINCES	TOTAL DWELLINGS	INSURED DWELLING	INSURANCE RATIOS %	COVERAGE (TL)	PREMIUM (TL)	RISK RATE	100 m ² PREMIUM FOR (TL)
ARDAHAN	7,290	1,029	14.1	59,056,250	93,084	2	109
MALATYA	156,400	19,622	12.6	1,393,748,405	2,967,561	1	150
VAN	80,250	13,488	16.81	1,054,009,835	1,786,106	2	109
AĞRI	39,000	4,809	12.33	273,031,130	490,253	2	109
İÇDIR	19,460	2,005	10.30	135,344,950	220,095	2	109
BİTLİS	35,280	6,356	18.02	408,263,605	774,043	1	150
MUŞ	30,910	3,210	10.38	170,219,520	379,567	1	150
HAKKARİ	21,900	2,752	12.57	149,631,355	365,701	1	150
BİNGÖL	28,940	5,810	20.08	373,718,315	755,950	1	150
SOUTHEASTERN ANATOLIA REGION	927,090	113,161	12.21	7,894,254,650	8,855,368		
GAZİANTEP	271,160	37,613	13.87	2,741,016,045	2,460,754	3	63
DIYARBAKIR	196,500	27,178	13.83	2,034,244,810	2,434,446	2	109
ŞANLIURFA	161,630	19,533	12.09	1,238,109,315	1,169,600	3	59
ADİYAMAN	75,040	8,564	11.41	609,136,355	1,021,241	2	109
KİLİS	20,280	2,183	10.76	128,464,440	125,595	3	63
MARDİN	81,800	7,610	9.30	483,422,500	469,005	3	63
SİİRT	30,190	2,948	9.76	173,357,120	384,976	1	150
BATMAN	58,280	5,297	9.09	378,943,580	596,909	2	109
ŞIRNAK	32,210	2,235	6.94	107,560,485	192,842	2	109
MARMARA REGION	5,550,760	1,638,663	29.52	103,979,048,235	189,971,064		
YALOVA	73,120	30,704	41.99	1,772,267,130	3,631,811	1	150
İSTANBUL	3,422,380	1,070,636	31.28	68,563,014,790	124,932,884	1	145
TEKİRDAĞ	240,840	76,972	31.96	4,959,203,210	5,663,513	2	109
KIRKLARELİ	82,550	19,095	23.13	1,261,622,935	793,967	4	45
EDİRNE	92,120	25,389	27.56	1,553,164,315	1,432,737	4	45
KOCAELİ	382,690	103,109	26.94	6,660,940,500	13,579,659	1	150
SAKARYA	172,570	57,265	33.18	3,571,022,575	7,437,106	1	150
ÇANAKKALE	114,770	29,532	25.73	1,718,622,975	3,669,709	1	150
BALIKESİR	310,300	77,358	24.93	4,332,787,065	9,226,931	1	150
BURSA	612,400	139,036	22.70	9,007,196,570	18,524,915	1	150
BİLECİK	47,020	9,567	20.35	579,206,170	1,077,832	1	150
CENTRAL ANATOLIA	3,078,470	693,145	22.52	44,993,084,425	36,614,134		

REGIONS AND PROVINCES	TOTAL DWELLINGS	INSURED DWELLING	INSURANCE RATIOS %	COVERAGE (TL)	PREMIUM (TL)	RISK RATE	100 m ² PREMIUM FOR (TL)
ANKARA	1,387,650	415,928	29.97	27,738,444,780	18,243,240	4	45
ESKİŞEHİR	210,440	56,601	26.90	3,215,557,505	4,917,112	2	109
ÇANKIRI	41,570	6,571	15.81	347,357,205	749,930	1	150
KAYSERİ	319,620	60,661	18.98	4,021,463,905	3,566,228	3	63
KIRŞEHİR	56,120	8,992	16.02	475,507,805	1,044,268	1	150
SİVAS	124,180	17,685	14.24	1,073,494,430	1,132,038	3	63
NEVŞEHİR	69,140	12,188	17.63	664,447,980	657,397	3	63
KARAMAN	53,780	7,025	13.06	473,582,960	259,668	5	38
KONYA	479,420	67,239	14.03	4,505,005,605	3,542,179	4	45
AKSARAY	85,570	11,863	13.86	778,530,115	464,932	5	38
NİĞDE	84,480	9,758	11.55	587,568,410	403,662	4	45
YOZGAT	93,870	11,171	11.90	653,922,945	714,053	3	63
KIRIKKALE	72,630	7,463	10.28	458,200,780	919,428	1	150
BLACKSEA REGION	1,576,510	256,477	16.27	15,926,277,135	23,247,680		
BOLU	51,740	23,778	45.96	1,514,897,135	3,014,800	1	150
DÜZCE	42,470	16,876	39.74	1,037,533,655	2,069,065	1	150
AMASYA	70,520	12,555	17.80	710,506,480	1,557,432	1	150
SİNOP	39,120	6,963	17.80	404,209,160	401,693	4	45
KASTAMONU	68,820	13,108	19.05	804,512,615	1,507,693	1	150
ÇORUM	118,470	21,084	17.80	1,325,474,305	2,102,435	2	109
ZONGULDAK	132,770	19,527	14.71	1,218,453,875	2,040,638	2	109
SAMSUN	264,990	38,432	14.50	2,432,532,975	2,824,425	2	109
BARTIN	28,510	5,497	19.28	314,383,695	675,568	1	150
KARABÜK	53,330	8,511	15.96	501,541,295	1,076,811	1	150
TRABZON	193,080	23,749	12.30	1,539,848,305	1,026,173	4	45
ORDU	155,810	21,210	13.61	1,380,182,475	1,418,368	3	63
ARTVİN	29,560	5,020	16.98	301,445,470	252,830	3	63
GİRESUN	96,540	12,347	12.79	762,556,880	583,715	4	45
TOKAT	122,180	16,801	13.75	966,742,285	2,096,833	1	150
RİZE	72,240	6,896	9.55	464,540,060	306,280	4	45
GÜMÜŞHANE	24,760	2,701	10.91	153,647,650	204,576	3	63
BAYBURT	11,600	1,422	12.26	93,268,820	88,346	3	63
TURKEY - GENERAL	16,375,840	3,725,884	22.8	238,458,844,505	378,843,496		

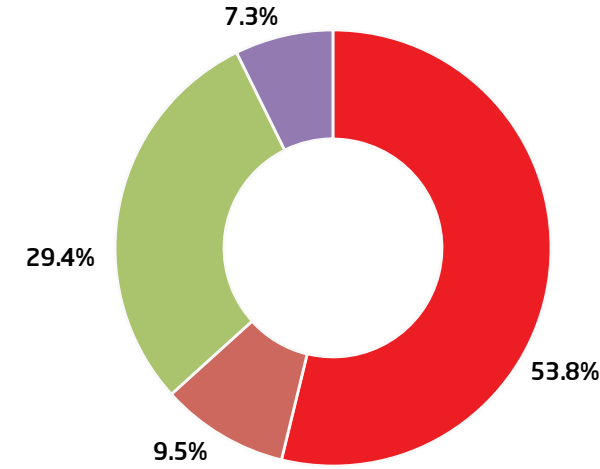
10.6 Distribution of Policies by Regions



Regions	Number of Policies	Ratio (%)	Premium (TL)	Ratio (%)
Mediterranean	351,019	9.4	34,702,759	9.2
Eastern Anatolia	115,979	3.1	14,450,073	3.8
Aegean	557,440	15.0	71,002,419	18.7
Southeastern Anatolia	113,161	3.0	8,855,368	2.3
Central Anatolia	693,145	18.6	23,247,680	9.7
Black Sea	256,477	6.9	189,971,064	6.2
Marmara	1,638,663	44.0	36,614,134	50.1
TOTAL	3,725,884	100.0	378,843,496	100.0

■ Marmara
 ■ Central Anatolia
 ■ Black Sea
 ■ Southeastern Anatolia
 ■ Aegean
 ■ Eastern Anatolia
 ■ Mediterranean

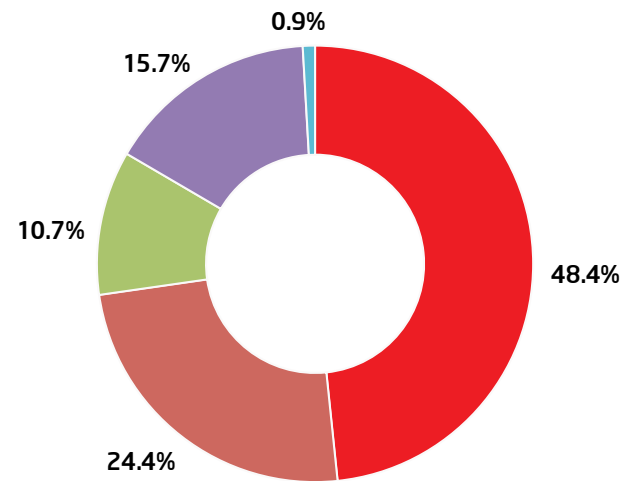
10.8 Distribution of Policies by Construction Year



Construction Year	Number of Policies	Ratio (%)	Premium (TL)	Ratio (%)
In and Before 1975	273,727	7,3	24,466,067	6.5
1976 - 1996	1,095,514	29,4	111,436,227	29.4
1997 - 1999	353,927	9,5	37,496,478	9.9
In and After 2000	2,002,716	53,8	205,444,724	54.2
TOTAL	3,725,884	100,0	378,843,496	100,0

■ In and after 2000
 ■ 1997-1999
 ■ 1976-1995
 ■ In and before 1975

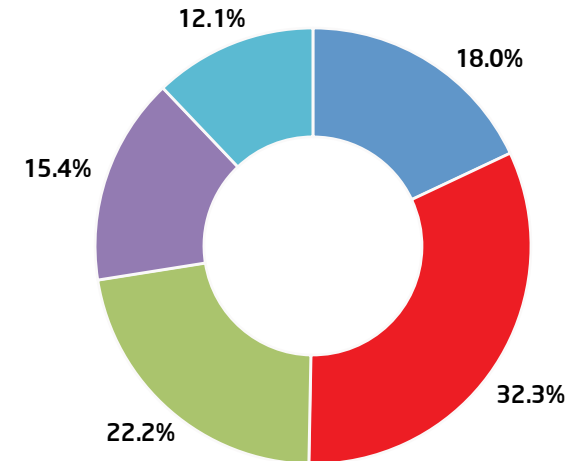
10.7 Distribution of Policies by Risk Zones



Risk Zones	Number of Policies	Ratio (%)	Premium (TL)	Ratio (%)
Zone 1	1,801,516	48,4	237,128,913	62.6
Zone 2	908,552	24,4	90,850,239	24.0
Zone 3	396,990	10,7	24,720,901	6.5
Zone 4	585,929	15,7	24,973,309	6.6
Zone 5	32,897	0,9	1,170,134	0.3
TOTAL	3,725,884	100,0	378,843,496	100,0

■ Zone 1
 ■ Zone 2
 ■ Zone 3
 ■ Zone 4
 ■ Zone 5

10.9 Distribution of Policies by Building Area



Building Area	Number of Policies	Ratio (%)	Premium (TL)	Ratio (%)
Smaller than 75m²	668,955	18,0	40,556,445	10.7
76-100 m²	1,202,613	32,3	105,165,139	27.8
101-125 m²	827,114	22,2	87,397,345	23.1
126-150 m²	574,900	15,4	70,502,092	18.6
Bigger than 150 m²	452,302	12,1	75,222,475	19.8
TOTAL	3,725,884	100,0	378,843,496	100,0

■ Smaller than 75m²
 ■ 76°C100 m²
 ■ 101°C125 m²
 ■ 126°C150 m²
 ■ Bigger than 150 m²

TCIP created a significant financial and institutional capacity in the last 11 years. It has become one of the leading catastrophe insurance programs in terms of its claim payment capabilities. TCIP had a very busy 2011, full of earthquake damage appraisals, payments, and projects to increase awareness of the Compulsory Earthquake Insurance. It has remained a solid support for those people who have trusted in it.

Section 4 THE TURKISH CATASTROPHE INSURANCE POOL

FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2011, ASSOCIATED REMARKS, NOTES,
AND THE INDEPENDENT AUDIT REPORT



INDEPENDENT AUDIT REPORT

THE TURKISH CATASTROPHE INSURANCE POOL
of THE TURKISH CATASTROPHE INSURANCE POOL

1. We (the "Authority") have audited the THE TURKISH CATASTROPHE INSURANCE POOL's attached balance sheet, dated 31 December 2011, as well as its comprehensive income statement, its statement of changes in net assets and its cash flow statement for the fiscal period ending on the same date, along with the organisation's summary of important accounting policies and other explanatory notes.

Responsibility of the Authority's Board of Directors in relation with Financial Statements

2. The Authority's Board of Directors is responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards, and their accurate presentation, as well as performance of internal audits considered necessary by the management to ensure that financial statements are free from irregularity or error.

Responsibility of the Independent Audit Company

3. We, as the independent audit company, are responsible for delivering an opinion on the aforementioned financial statements based on the independent audit we performed. The audit was performed pursuant to International Audit Standards. These standards require compliance with a code of ethics and the planning and performance of the audit in such a manner as to give a reasonable guarantee that there are no significant errors in the financial statements.

The audit involves the use of necessary audit techniques to collect supporting evidence regarding the amounts and explanations provided in the financial statements. The audit techniques, including a risk assessment as to whether there have been any significant misrepresentations, are selected based on the opinion of the auditor, considering whether information in the financial statements resulted from errors and/or fraud. Although the risk assessment takes into consideration the Authority's internal audit system related to the preparation and accurate presentation of the financial statements, the aim is not to deliver an opinion on the effectiveness of the internal audit system but to develop audit techniques required by the existing conditions. In addition to the convenience of the accounting policies implemented by the Authority's management and the reasonableness of its accounting estimates, the audit also involves an assessment of the general presentation of the financial statements.

We believe that the evidence obtained from the audit provides us with an adequate and appropriate basis for forming an opinion.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat 9 Akaretler Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr Telephone: +90 (212) 326 6060 Facsimile: +90 (212) 326 6050

Opinion

4. In our opinion, the attached financial statements reflect the Natural Disasters Insurances Authority's financial position as of 31 December 2011, as well as its financial performance and cash flows for the fiscal year ending on the same date, in all important aspects, in an accurate manner and in compliance with International Financial Reporting Standards.

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



Adnan Akan, Independent Accountant and Financial Advisor
Responsible Partner & Chief Auditor

İstanbul, May 2, 2012

THE TURKISH CATASTROPHE INSURANCE POOL
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

CONTENTS	PAGE
BALANCE SHEET	55
COMPREHENSIVE INCOME STATEMENT	56
EXCHANGE OF NET ASSETS STATEMENT	57
CASH FLOW STATEMENT	58
NOTES TO THE FINANCIAL STATEMENTS	59-78

THE TURKISH CATASTROPHE INSURANCE POOL
BALANCE SHEET AS OF 31 DECEMBER 2011

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

	Note	31 December 2011	31 December 2010
ASSETS			
Current Assets			
Cash and cash equivalents	4 and 5	1,552,868,553	1,179,029,226
Available-for-sale financial assets and financial assets at fair value through profit or loss	4 and 6	108,095,073	254,624,373
Premium receivables	4 and 7	62,461,363	25,109,583
Deferred commission expense	17	31,809,209	26,230,661
Other assets	4 and 8	72,754,605	72,147,027
Total current assets		1,827,988,803	1,557,140,870
Non-current assets			
Property and equipment, net	9	265,191	489,830
Total non-current assets		265,191	489,830
Total assets		1,828,253,994	1,557,630,700
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term portion of long term borrowings	10	14,302,769	19,540,737
Short-term trade payables	4 and 11	63,945,336	84,102,146
Unearned premium reserve	4 and 12	192,212,198	156,365,257
Outstanding claims provision	4 ve 12	56,203,788	1,082,462
Total current liabilities		326,664,091	261,090,602
Non-current liabilities			
Long-term borrowings	10	22,756,413	28,813,959
Total non-current liabilities		22,756,413	28,813,959
Total liabilities		349,420,504	289,904,561
Fair value reserve	13	1,477,648,481	1,262,750,814
Accumulated fund reserve	13	1,185,009	4,975,325
Total net assets		1,478,833,490	1,267,726,139
Total liabilities and net assets		1,828,253,994	1,557,630,700

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

**THE TURKISH CATASTROPHE INSURANCE POOL
STATEMENT OF COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

		2011	2010
Revenues			
Earned premiums	14	342,965,685	316,594,953
Total insurance revenue		342,965,685	316,594,953
Expenses			
Cost of reinsurance coverage	15	(88,057,052)	(102,563,702)
Commission expenses	17	(57,395,805)	(52,798,978)
Claim costs	16	(80,953,512)	(1,691,403)
Total insurance expenses		(226,406,369)	(157,054,083)
Insurance revenue, net		116,559,316	159,540,870
General and administrative expenses	18	(8,081,022)	(10,272,109)
Operating income		108,478,294	149,268,761
Financial income, net	19	106,419,373	96,903,974
Increase in fund reserve, net		214,897,667	246,172,735
Other comprehensive income			
Fair value reserve (decrease) / increase		(3,790,316)	4,115,499
Comprehensive fund reserve increase		211,107,351	250,288,234

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

**THE TURKISH CATASTROPHE INSURANCE POOL
STATEMENT OF NET CHANGES IN ASSETS AS OF
31 DECEMBER 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

	Fair value reserve	Accumulated fund reserve	Total
1 January 2010	859,826	1,016,578,079	1,017,437,905
Fair value reserve increase	4,115,499	-	4,115,499
Increase in fund reserve	-	246,172,735	246,172,735
31 December 2010	4,975,325	1,262,750,814	1,267,726,139
Fair value reserve decrease	(3,790,316)	-	(3,790,316)
Increase in fund reserve	-	214,897,667	214,897,667
31 December 2011	1,185,009	1,477,648,481	1,478,833,490

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

**THE TURKISH CATASTROPHE INSURANCE POOL
STATEMENT OF CASH FLOW
AS OF 31 DECEMBER 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

		2011	2010
Cash flows from operating activities:			
Increase in fund reserve, net		214,897,667	246,172,735
Adjustments for:			
Depreciation and amortization charges	9	262,827	326,901
Netincome from investments		(116,756,887)	(97,023,059)
Interest expenses	19	2,164,522	2,374,668
Foreign exchange losses associated with borrowings and cash and cash equivalents		1,217,525	1,548,302
Increases in receivables (-)		(37,351,780)	(3,740,179)
Increase in other current assets (-)		(607,578)	(1,527,961)
Change in insurance reserves and deferred commission expenses		85,389,719	3,169,666
Increase/(Decrease) in short-term trade payables		(20,156,810)	17,197,572
Net cash provided by operating activities	1	29,059,205	168,498,645
Cash flows from investment activities:			
Interest received from banks		110,638,497	74,956,724
Decrease in available-for-sale financial assets		150,857,248	10,376,654
Purchase of tangible assets	9	(38,188)	(104,684)
net cash inflow from investing activities		261,457,557	85,228,694
Cash flows from financing activities:			
Borrowings and interest paid		(26,432,723)	(21,039,736)
net cash outflows from financing activities (-)		(26,432,723)	(21,039,736)
net increase in cash and cash equivalents		364,084,039	232,687,603
Cash and cash equivalents at the beginning of the period		1,166,079,290	934,609,485
Foreign exchange profits/losses associated with cash and cash equivalents (-)		5,116,619	(1,217,798)
Cash and cash equivalents at the end of the period	5	1,535,279,948	1,166,079,290

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

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 1 - NATURE OF OPERATIONS AND ADMINISTRATION

Doğal Afet Sigortaları Kurumu ("THE TURKISH CATASTROPHE INSURANCE POOL: TCIP"), was established as a public legal entity in order to provide insurance and to fulfill the other tasks assigned to it under Decree Law Number 587 issued by the Council of Ministers and published in the Official Gazette on 27 December 1999. The main operation of TCIP is providing Compulsory Earthquake Insurance to ensure that buildings' owners are compensated for their losses occurring as the result of an earthquake. TCIP is managed by the "Board of Directors of THE TURKISH CATASTROPHE INSURANCE POOL" which consists of seven members, assigned by The Undersecretariat of the Treasury ("Treasury"), The Ministry of Public Works and Settlements, the Association of the Insurance and Reinsurance Companies of Turkey, Boğaziçi University, the Capital Markets Board, T.C. Prime Ministry's General Directorate of Personnel and Principles and Institution Administrator.

TCIP initiated policy sales on 27 September 2000.

The execution of TCIP's technical and operational activities is outsourced. Under the provisions of Decree Number 587, administration of the operations of TCIP has been assigned to Eureko Sigorta A.Ş., as the Institution Administrator, by the Treasury through a contract signed on 8 August 2005 for a period of 5 years. After a reissuing of the tender in July 2010, Eureko Sigorta A.Ş. has been reassigned as the Institution Administrator for the period from 2010 to 2015 under a contract signed on 8 August 2010. The Institution Administrator, operating in accordance with the principles set out by the Treasury and with the decisions of the Board of Directors of TCIP, and on behalf of TCIP, provides day-to-day administrative services covering the execution of all technical and operational aspects of all insurance activities of TCIP associated with compulsory earthquake insurance, implementing plans for risk transfers and reinsurance, the management of TCIP's resources, the conducting of campaigns related to public relations, marketing and education, the purchasing of goods and services related to the operations of TCIP and bookkeeping services.

TCIP and funds generated by TCIP are exempt from any kind of taxation.

TCIP is not subject to the Public Accounting Law number 1050, the Law related to the Supervision of Public Economic Enterprises and Funds issued by the Grand National Assembly of Turkey Number 3346, the Court of Accounts Law Number 832, the State Tender Law number 2886 or the Travel Allowances Law number 6245.

Insurance premium receivables of TCIP are collected in accordance with the Law related to the Procedures for the Collection of Public Receivables, Number 6183.

Annual financial statements, transactions and expenses of TCIP are audited by the Treasury.

The financial statements of TCIP were authorized for issue by the Board of Directors on 2 May 2012

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of TCIP as at 31 December 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which include the standards and interpretations issued by the International Accounting Standards Board ("IASB") and that are effective as at the date of the preparation of these financial statements.

TCIP maintains its books of account and prepares its statutory financial statements in Turkish Lira in accordance with the Decree Law, number 587. These financial statements are based on statutory records, with adjustments and reclassifications, for the purpose of a fair presentation in accordance with IFRS.

THE TURKISH CATASTROPHE INSURANCE POOL FOOTNOTES FOR FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2011

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

(a) The changes and interpretations effective as of 31 December 2011 and relevant to the financial statements of TCIP:

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", (Effective for annual periods starting on or after 1 July 2010),
- IFRS 1 (amendment), "First-time application of UFRS", (Effective for annual periods starting on or after 1 July 2010),
- IAS 24 (revised), "Related party disclosures", (Effective for annual periods starting on or after 1 January 2011),
- IFRIC 14 (amendment), "Cash payment of minimum funding requirements", (Effective for annual periods starting on or after 1 January 2011),
- Standards within the scope of the 2010 Annual Development Project are effective for annual periods starting on or after 1 January 2011. The project includes the following 6 standards and amendment in 1 comment:

- IFRS 1 (amendment), "First-time application of UFRS",
- IFRS 3, "Business Mergers",
- IFRS 7, "Financial Instruments: Remarks",
- IAS 1, "Presentation of Financial Tables",
- IAS 27, "Consolidated and Separate Financial Statements",
- IAS 34, "Interim Financial Reporting",
- IFRIC 13, "Customer Loyalty Programs".

(b) Amendments, new standards and revisions that were not valid in 2011 and were not implemented by the Company:

- IFRS 7 (amendment), "Financial Instruments: Remarks", (Effective for annual periods starting on or after 1 July 2011),
- IFRS 1 (amendment), "First-time application of UFRS", (Effective for annual periods starting on or after 1 July 2011),
- IAS 12 (revised), "Income Taxes", (Effective for annual periods starting on or after 1 January 2012),
- IAS 1 (amendment) "Presentation of Financial Statements", (Effective for annual periods starting on or after 1 July 2012),
- IAS 19 (revised), "Employee Benefits", (Effective for annual periods starting on or after 1 January 2013),
- IFRS 9 (amendment), "Financial Instruments", (Effective for annual periods starting on or after 1 January 2015),
- IFRS 10 (amendment), "Consolidated Financial Statements", (Effective for annual periods starting on or after 1 January 2013),
- IFRS 11 (amendment), "Consolidated Financial Statements", (Effective for annual periods starting on or after 1 January 2013),
- IFRS 12 (amendment), "Disclosures of Interests in Other Entities", (Effective for annual periods starting on or after 1 January 2013),
- IFRS 13 (amendment), "Fair Value Measurement", (Effective for annual periods starting on or after 1 January 2013),
- IAS 27 (revised), "Consolidated Financial Statements", (Effective for annual periods starting on or after 1 January 2013),
- IAS 28 (revised), "Investments in Associates and Joint Ventures", (Effective for annual periods starting on or after 1 January 2013),
- IAS 32 (amendment), "Financial Instruments: Presentation", (Effective for annual periods starting on or after 1 February 2010),

The management of TCIP is of the view that applying the standards and interpretations above will not materially affect the financial statements of TCIP in future periods.

Comparatives

Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current year.

THE TURKISH CATASTROPHE INSURANCE POOL FOOTNOTES FOR FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2011

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying TCIP's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all the years presented, unless otherwise stated.

Premium revenue / Commission expense

Premiums are recognized as income proportionally over the period of coverage of earthquake policies issued on a daily pro-rata basis. The portion of premium revenues that relates to the following period is accounted as an unearned premium reserve for each policy on a daily basis. The commission expenses incurred in acquiring the unearned portion of premiums are deferred on the same basis as the premiums to which they relate.

Cost of reinsurance coverage

The reinsurance agreements entered into by TCIP with reinsurers under which TCIP is compensated for losses on one or more policies, and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts. The cost of reinsurance, mainly consisting of excesses of loss premiums, is incurred on an accrual basis

The excess of loss reinsurance agreements are renewed annually and cover a twelve-month-period from November of the prior year up to the end of October of the current year. Accordingly, the cost of reinsurance accounted for under the current year include a 10-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2011 and a 2-month-portion of the excess of loss premium related to the reinsurance agreement ending October 2012. The cost of reinsurance accounted for in the current year also includes the excess of the loss premium adjustment accrued with respect to the related reinsurance agreements, as well as brokerage fees paid to and incurred on behalf of related intermediaries.

Claims

The institution reserves an outstanding claims reserve for claims accrued and calculated but unpaid as at the period end. Alternatively it uses estimated amounts if an amount has not been calculated and paid but remains an unrecorded claim. The institution used average cost of claims paid in 2011 as of 31 December 2011 for the calculation of paid but unrecorded claims and payments. The institution multiplied this amount with the estimated number of paid but unrecorded claim files and reserved this amount as the paid but unrecorded claims reserve. Whereas, as of 31 December 2010, the institution had taken the value of claims at the reporting date and recorded the outstanding claims reserve in its books as the total cost of all liabilities associated with incurred claims by the end of the period.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful life based on the restated cost of such assets. The estimated useful lives of property and equipment are as follows:

Fixtures and fittings	5 years
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**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (cont'd)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by comparison to their carrying amounts and related collections and included as a fund reserve increase.

Repair and maintenance expenses are charged to the income statement of the related period. However, investment expenses resulting in a capacity improvement increasing future economic benefits from the respective assets are capitalized.

Financial assets

TCIP classifies its financial assets as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" and "Loans and receivables". The classification of the financial assets is decided by TCIP management at initial recognition based on the purpose for which such assets were acquired and reviewed at reporting periods.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either held as available for sale or, otherwise, not classified in any other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale financial assets.

b) Financial assets at fair value through profit or loss

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

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that TCIP intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Financial assets are initially recognized at fair value. Available-for-sale financial assets are subsequently carried at fair value based on quoted bid prices. Loans and receivables are carried at cost less any provision for impairment.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are accounted in the fair value reserve as a part of net assets. When such financial assets are disposed of or impaired, the accumulated fair value differences recorded under net assets are transferred to the income statement. Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement.

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (cont'd)

Financial assets at fair value through profit or loss are accounted for at their fair values at the inception date and measured at their fair values at subsequent periods. It is concluded that the fair value can not be reliably measured if the price that provides a basis for fair value can not be set by active market conditions and then the "amortized cost value" calculated using the effective interest method is used as fair value. Valuation gains or losses are recognized on the income statement. The interest income and dividend income on financial assets at fair value through the profit or loss accounts are classified as interest income and dividend income, respectively.

Foreign currency translation

Transactions in foreign currencies during the period are translated into Turkish Lira at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the period end. Exchange gains and losses arising from translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortized cost and any difference between the borrowing amount, net of transaction costs, and the balance sheet amount calculated using the effective yield method is recognized in the income statement.

Fair value of financial instruments

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

The classifications used by TCIP with respect to fair values of its financial assets and liabilities are listed below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included as level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Available-for-sale financial assets and financial assets at fair value through profit or loss included in the balance sheet are those items recognized as fair value. The fair value of such financial assets is determined by using quoted prices, which can be regarded as Level 1. The estimated fair values of financial instruments have been determined by TCIP using available market information and appropriate valuation methodologies to the extent that relevant and reliable information is available from the financial markets in Turkey. However, judgment is necessarily required to interpret market data to estimate a fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts TCIP could realize in a current market exchange.

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT RELEVANT ACCOUNTING POLICIES (cont'd)

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

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate their carrying values.

The carrying values of certain financial assets, including cash and cash equivalents along with the respective accrued interest, are considered to approximate their fair values.

The fair values of available-for-sale financial assets and financial assets at fair value through profit or loss are determined by reference to the market values.

The carrying values of premiums receivable are considered to approximate their fair values due to their short-term nature.

Financial liabilities

The fair value of bank borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that are available to TCIP for similar borrowings.

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance risk

TCIP issues contracts (insurance policies) that carry insurance risk. This section summarizes the risks associated with these contracts and how TCIP manages them.

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that TCIP faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. TCIP management believes that the liability for claims carried at year-end is adequate.

TCIP is granting earthquake coverage to residential buildings. The payment ability of TCIP is limited to its accumulated funds and reinsurance protection that is purchased from the reinsurance market. TCIP's catastrophe model outputs are taken into consideration when setting the upper limit and when setting priorities for the reinsurance protection. The limits are monitored in line with the aggregate developments for each key zone. Premium amounts are based on pre-determined tariffs that vary according to the earthquake zone and type of building. The maximum guarantee provided for a residence via Compulsory Earthquake Insurance is TL 150,000 (31 December 2010: TL 150,000). Furthermore, the minimum policy premium is TL 25 (31 December 2010: TL 25) regardless of the type of building and earthquake zone.

TCIP manages such risks through its underwriting strategy and reinsurance protection purchased via an excess of loss reinsurance agreement.

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

The concentration of insurance risk (maximum insured loss) is summarized below:

	2011	2010
Istanbul region	68,563,014,790	58,833,399,190
Other regions	169,895,829,715	139,045,280,250
Total	238,458,844,505	197,878,679,440

The concentration of insurance risk in terms of geographical risk zones in Turkey, Zone 1 having the highest earthquake risk, is summarized below:

	2011	2010
Zone 1	112,192,304,400	90,531,877,540
Zone 2	58,026,199,195	51,717,507,060
Zone 3	27,280,629,970	20,544,843,185
Zone 4	38,912,552,010	33,486,432,020
Zone 5	2,047,158,930	1,598,019,635
Total	238,458,844,505	197,878,679,440

Financial risk factors

TCIP is exposed to financial risk through its financial assets, financial liabilities (borrowings) and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are insufficient to fund the obligations arising from its insurance contracts and not covered by the reinsurance agreement. The most important components of the financial risk are market risk (which includes interest rate risk and currency risk), credit risk and liquidity risk. TCIP's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimize its potential adverse effects on TCIP's financial performance. Risk management is carried out by the Institution Administrator under policies regulated by certain legal arrangements and approved by the Board of Directors. The Board of Directors considers the liquidity and credibility of the investments in the first place and seeks the maximization of profitability on investments. TCIP does not use derivative financial instruments to hedge risk exposures.

(a) Market risk

i. Interest rate risk

TCIP is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. This risk is managed by using natural hedges that arise from balancing interest rate sensitive assets and liabilities.

Available-for-sale financial assets with variable interest rates expose TCIP to interest rate risk. As of 31 December 2011, if market interest rates on financial assets with variable interest rates were higher/lower by 1%, with all other variables held constant, as a result of higher/lower interest income on financial assets with variable rates, increase in fund reserve would be higher/lower by TL 148,903 (31 December 2009: TL 103,593).

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

TCIP does not have any other financial assets or liabilities with variable interest rates.

The analysis of contractual repricing dates of financial assets at the balance sheet dates are as follows:

31 December 2011	Up to 3 months	3 months- 1 year	1 - 5 years	Over 5 years	Not subject to repricing	Total
Available-for-sale financial assets	14,890,317	-	-	-	81,406,143	96,296,460
Financial assets at fair value through profit or loss	-	-	-	-	11,798,613	11,798,613
Total	14,890,317	-	-	-	93,204,756	108,095,073

31 December 2010	Up to 3 months	3 months- 1 year	1 - 5 years	Over 5 years	Not subject to repricing	Total
Available-for-sale financial assets	26,281,642	15,823,389	-	-	208,271,719	250,376,750
Financial assets at fair value through profit or loss	-	-	-	-	4,247,623	4,247,623
Total	26,281,642	15,823,389	-	-	212,519,342	254,624,373

ii. Exchange rate risk

TCIP is exposed to foreign exchange rate risk through the impact of exchange rate changes during the translation of Turkish Lira to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position (Note 20).

TCIP is exposed to foreign exchange risk primarily with respect to EUR and USD. The foreign currency risk analysis associated with these foreign currencies is as follows:

At 31 December 2011, if the Euro appreciated/depreciated by 10% against TL, with all other variables held constant, as a result of foreign exchange losses/gains on the translation of Euro denominated assets and liabilities, net assets would be lower/higher by TL 4,585,174 (31 December 2010: TL 3,856,351).

At 31 December 2011, if the USD appreciated/depreciated by 10% against TL with all other variables held constant, as a result of foreign exchange losses/gains on the translation of USD denominated assets and liabilities, net assets would be lower/higher by TL 3,017,052 (31 December 2010: TL 3,168,473).

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

iii. Price risk

The financial assets of TCIP expose TCIP to price risk.

TCIP's available-for-sale financial assets bearing fixed interest rates are measured at their market value as of 31 December 2010. If their market prices increased/ decreased by 5%, with all other variables held constant, net assets would be higher/lower by TL 4,814,583 (31 December 2010: TL 12,518,837).

TCIP's financial assets at fair value through profit or loss are measured at market value as of 31 December 2011. If market prices of financial assets at fair value through profit or loss increased/decreased by 5%, with all other variables held constant, net assets would be higher/lower by TL 590,171 (31 December 2010: 212,381).

(b) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements or will be unable to pay amounts in full when due. TCIP's exposure to credit risk arises mainly from banks deposits, financial assets, premium receivables from insurance companies and from reinsurers' share of insurance liabilities.

The asset bearing credit risk is analyzed in the tables below using the ratings of rating institutions, namely Standard & Poors ("S&P"), Moody's and Fitch:

i. Bank deposits

S&P	2011			2010		
	TL	Foreign currency	Total	TL	Foreign currency	Total
B	31,283,644	-	31,283,644	682,166,291	16,661,314	698,827,605
BB	653,131,726	7,530,418	660,662,144	186,806,366	-	186,806,366
Unrated	839,832,445	21,090,320	860,922,765	263,854,310	29,540,945	293,395,255
Total	1,524,247,815	28,620,738	1,552,868,553	1,132,826,967	46,202,259	1,179,029,226

Moody's	2011			2010		
	TL	Foreign currency	Total	TL	Foreign currency	Total
P2	409,350,317	-	409,350,317	431,565,824	-	431,565,824
P3	137,000,362	-	137,000,362	487,032,266	-	487,032,266
NP	-	28,620,738	28,620,738	-	46,202,259	46,202,259
Unrated	977,897,136	-	977,897,136	214,228,877	-	214,228,877
Total	1,524,247,815	28,620,738	1,552,868,553	1,132,826,967	46,202,259	1,179,029,226

Fitch	2011			2010		
	TL	Foreign currency	Total	TL	Foreign currency	Total
F3	409,350,316	21,090,725	430,441,041	431,565,824	46,202,259	477,768,083
B	660,752,909	7,530,013	668,282,922	487,032,266	-	487,032,266
Unrated	454,144,590	-	454,144,590	214,228,877	-	214,228,877
Total	1,524,247,815	28,620,738	1,552,868,553	1,132,826,967	46,202,259	1,179,029,226

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

ii. Marketable securities

December 31, 2011	Amount	S&P	Moody's	Fitch
Short term - TL	40,018,318	B	-	-
Long term - TL	56,278,142	BB	Ba3	BB
Total	96,296,460			
December 31, 2010	Amount	S&P	Moody's	Fitch
Short term - TL	114,998,344	B	-	-
Long term - TL	135,378,406	BB	Ba3	BB
Total	96,296,460			

iii. Premiums receivable

	2011	2010
Premium receivables from insurance companies	62,461,363	25,109,583

TCIP has premium receivables from the insurance companies operating in Turkey which are subject to capital adequacy requirements of the Treasury, which is the main regulatory body regarding the operational and financial activities of insurance companies in Turkey.

TCIP does not have any overdue receivables as of 31 December 2011 and 2010. No receivable has been overdue during the reporting period, and TCIP management does not expect any losses from non-performance by these insurance companies.

iv. Reinsurers' share of insurance liabilities

TCIP has an excess of loss reinsurance agreement in force via the broker Willis Limited to reinsure insurance risk arising on its earthquake insurance portfolio. Willis Limited is a Lloyd's broker registered in London and is authorised and regulated by the Financial Services Authority, the official regulator of all providers of financial services in the United Kingdom.

The aforementioned reinsurance agreement consists of different layers shared by various reinsurance companies and the reinsurance coverage amounts provided by these reinsurance companies in accordance with terms of the excess of loss reinsurance agreements as of 31 December 2011 and 2010 are as follows:

Reinsurance protection limits	EUR		TL	
	Foreign currency		amount	
	2011	2010	2011	2010
Lower limit	225,000,000	200,000,000	549,855,000	411,020,000
Upper limit	1,800,000,000	1,750,000,000	4,398,840,000	3,596,425,000
Maximum purchased protection	1,575,000,000	1,550,000,000	3,848,985,000	3,185,405,000

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

The analysis of the credibility of the reinsurance companies with the highest risk shares with respect to the aforementioned excess of loss reinsurance agreement and Willis Limited, using the ratings of rating institutions, as of 31 December 2011 and 2010 is as follows:

2011	S&P	Moody's	Fitch
Willis Limited	BBB-	Baa3	BBB-
Swiss RE	AA-	A1	-
Scor RE	A	A2	A+
Partner RE	A+	A1	AA-
Milli RE	tr AA	-	-
Munich RE	AA-	Aa3	AA-
2010	S&P	Moody's	Fitch
Willis Limited	BBB-	Baa3	-
Swiss RE	A+	A1	-
Scor RE	A	A2	A
Paris RE	AA-	A2	AA
Milli RE	tr AA	-	B+
Munich RE	AA-	Aa3	AA-

(c) Liquidity risk

TCIP uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits specifying the minimum level of funds available to meet such liabilities. Cash outflows due to borrowing payments are managed by considering the amounts of unreserved cash flow from its operations. Hence, on one hand, it is possible to pay debts with the cash generated from operating activities when necessary and, on the other hand, sufficient and reliable sources of high quality borrowings are available.

The tables below present a maturity analysis for TCIP's financial assets and liabilities, on an undiscounted basis, in accordance with the relevant maturity groupings based on the remaining period to the expected or contractual maturity date, at the balance sheet dates:

31 December 2011	Contractual or expected cash flows					Total
	Up to 3 months	3 months -1 year	1 year -5 year	Over 5 years	No maturity	
Assets						
Cash and cash equivalents	1,169,903,567	382,954,435	-	-	10,551	1,552,868,553
Financial assets	14,863,775	36,953,156	35,378,453	20,899,690	-	108,095,073
Premium receivables	62,461,363	-	-	-	-	62,461,363
Other assets	21,826,382	50,928,224	-	-	-	72,754,605
Total	1,652,009,521	87,881,380	35,378,453	20,899,690	10,551	1,796,179,594
Liabilities						
Borrowings	-	14,302,769	22,756,413	-	-	37,059,182
Short-term trade payables	3,115,742	60,829,594	-	-	-	63,945,336
Unearned premium reserve	13,325,987	178,886,211	-	-	-	192,212,198
Outstanding claims provision	54,378,916	1,406,321	418,550	-	-	56,203,788
Total	70,820,646	254,088,296	24,511,563	-	-	349,420,504

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 4 - INSURANCE AND FINANCIAL RISK MANAGEMENT (Cont'd)

31 December 2010	Contractual or expected cash flows					Total
	Up to 3 months	3 months -1 year	1 year -5 year	Over 5 years	No maturity	
Assets						
Cash and cash equivalents	1,179,017,092	-	-	-	12,134	1,179,029,226
Financial assets	6,630,769	112,615,197	121,850,161	13,528,246	-	254,624,373
Premium receivables	25,109,583	-	-	-	-	25,109,583
Other assets	21,644,108	50,502,919	-	-	-	72,147,027
Total	1,232,401,552	163,118,116	121,850,161	13,528,246	12,134	1,530,910,209
Liabilities						
Borrowings	-	17,633,545	29,874,033	-	-	47,507,578
Short-term trade payables	20,645,184	63,456,962	-	-	-	84,102,146
Unearned premium reserve	11,607,842	144,757,415	-	-	-	156,365,257
Outstanding claim provision	120,696	755,910	205,856	-	-	1,082,462
Total	32,373,722	226,603,832	30,079,889	-	-	289,057,443

Fund reserve risk management

TCIP's objectives when managing the fund reserve are to safeguard TCIP's ability to perform claim and borrowing payments, including interest, and to maximize the accumulation of fund reserve to maintain the financial strength of TCIP so that it can meet all commitments under its insurance contracts which are not covered by reinsurance agreements.

NOTE 5 - CASH AND CASH EQUIVALENTS

	2011	2010
Bank deposits	1,552,868,553	1,179,029,226
Total	1,552,868,553	1,179,029,226

Bank deposits are further analyzed as follows:

	2011	2010
Bank deposits in TL		
- demand deposits	10,113	105
- time deposits	1,524,237,702	1,132,826,863
Foreign currency denominated bank deposits		
- demand deposits	438	12,029
- time deposits	28,620,300	46,190,229
Total	1,552,868,553	1,179,029,226

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 5 - CASH AND CASH EQUIVALENTS (cont'd)

Foreign currencies denominated time deposits are as follows:

	Amount in foreign currency		TL equivalent	
	2011	2010	2011	2010
USD	11,165,380	10,776,145	21,090,286	16,659,920
EUR	3,081,272	14,411,356	7,530,014	29,530,309
Total			28,620,300	46,190,229

Maturities of time deposits are given in Note 4. Weighted average annual interest rates are as follows:

	Interest rate per annum (%)	
	2011	2010
TL	11.42	8.9
USD	5.60	3.2
EUR	5.50	1.6

Foreign currency denominated demand deposits are analyzed as follows:

	Amount in foreign currency		TL equivalent	
	2011	2010	2011	2010
USD	14	6,641	27	10,267
EUR	168	860	411	1,762
Total			438	12,029

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

	2011	2010
Cash and cash equivalents	1,552,868,553	1,179,029,226
Minus: Interest accrued (-)	(17,588,605)	(12,949,936)
Total cash and cash equivalents	1,535,279,948	1,166,079,290

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 6 - AVAILABLE-FOR-SALE FINANCIAL ASSETS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
Available-for-sale financial assets		
- Government bonds and treasury bills	96,296,460	250,376,750
Financial assets at fair value through profit or loss		
- Investment funds	11,798,613	4,247,623
Total	108,095,073	254,624,373

The weighted average interest rates of the available-for-sale financial assets are as follows:

	2011 (%)	2010 (%)
- Government bonds and treasury bills	7.39	6.9

A portion of marketable securities amounting to TL 42,105,031 (31 December 2010: TL 105,463) have variable interest rates.

The analysis of the financial assets by maturity is as follows:

2011	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No maturity	Total
Government bonds and treasury bills	12,486,798	16,030,624	11,500,896	35,378,452	20,899,690	-	96,296,460
Investment funds	-	-	-	-	-	11,798,613	11,798,613
Total							108,095,073
2010	0-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	No maturity	Total
Government bonds and treasury bills	2,383,146	47,251,413	65,363,784	121,850,161	13,528,246	-	250,376,750
Investment funds	-	-	-	-	-	4,247,623	4,247,623
Total	2,383,146	47,251,413	65,363,784	121,850,161	13,528,246	4,247,623	254,624,373

NOTE 7 - PREMIUMS RECEIVABLE

	2011	2010
Premium receivables from insurance companies	62,461,363	25,109,583
Total	62,461,363	25,109,583

The average turnover of TCIP's premium receivables is 1 month (31 December 2010: 1 month). TCIP does not have any impaired or overdue receivables as of 31 December 2011 and 2010.

As of 31 December 2011 and 2010, there were no guarantees received for the receivables.

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 8 - OTHER ASSETS

	2011	2010
Excess of loss premiums related to the next year	69,464,872	68,840,194
Brokerage fees related to the next year	3,289,733	3,306,833
Total	72,754,605	72,147,027

Excess of loss premiums and brokerage fees related to the next year consist of the costs of reinsurance coverage received and brokerage fees for the subsequent period according to the reinsurance agreement in force (Note 11).

NOTE 9 - PROPERTY AND EQUIPMENT

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Fixtures and fittings	7,697,123	38,188	-	7,735,311
	7,697,123	38,188	-	7,735,311
Accumulated depreciation				
Fixtures and fittings	(7,207,293)	(262,827)	-	(7,470,120)
	(7,207,293)	(262,827)	-	(7,470,120)
Net book value	489,830			265,191
	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Fixtures and fittings	7,592,439	104,684	-	7,697,123
	7,592,439	104,684	-	7,697,123
Accumulated depreciation				
Fixtures and fittings	(6,880,392)	(326,901)	-	(7,207,293)
	(6,880,392)	(326,901)	-	(7,207,293)
Net book value	712,047			489,830

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 10 - BORROWINGS

As of 31 December 2011, borrowings amounting to USD 19,230,147 excluding interest payments (31 December 2010: USD 30,580,996) mediated by the Treasury, have been obtained from the World Bank in order to cover claims due to a possible earthquake in the future.

	2011	2010
The Short-term portion of long term borrowings	14,302,769	19,540,737
Long-term borrowings	22,756,413	28,813,959
Total	37,059,182	48,354,696

The weighted interest rates for USD borrowings as of 31 December 2011 is 5.61% (31 December 2010: 5.61%). The borrowings have semiannual principal and interest payments in April and October.

The interest rates applied to the borrowings of TCIP are not variable.

The redemption schedule of the long-term bank borrowings is as follows:

	2011	2010
2012	-	11,138,323
2013	12,007,041	9,326,904
2014	10,749,372	8,348,732
Total	22,756,413	28,813,959

The fair values of the borrowings are considered to approximate their carrying values considering the terms of the borrowings obtained from World Bank as of 31 December 2011 and 2010.

NOTE 11 - SHORT-TERM TRADE PAYABLES

	2011	2010
Reinsurance payables (*)	60,829,596	81,808,291
Other	3,115,740	2,293,855
Total	63,945,336	84,102,146

(*) Reinsurance payables consist of the costs of reinsurance coverage to be paid in the subsequent period according to the reinsurance agreement in force (Note 8).

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 12 - INSURANCE PROVISIONS

12.1 Insurance provisions

	2011	2010
Unearned premium reserve	192,212,198	156,365,257
Outstanding claims provision	56,203,788	1,082,462
Total	248,415,986	157,447,719

12.2 Movements in insurance provisions

a) Unearned premium reserve

	2011	2010
Opening balance - 1 January	156,365,257	153,503,546
Premiums written during the year (Note 14)	378,812,626	319,456,664
Earned premiums during the year (Note 14)	(342,965,685)	(316,594,953)
Ending balance - 31 December	192,212,198	156,365,257

b) Outstanding claims provision

	2011	2010
Opening balance - 1 January	1,082,462	597,489
Outstanding claim files notified during the year (*)	46,241,504	890,566
Paid claims and changes in provisions (**)	374,477	(405,593)
Unreported incurred claims	8,505,345	-
Ending balance - 31 December	56,203,788	1,082,462

(*) The amount consists of the claim files opened during the year and not paid as of the year-end. Outstanding claims reserves were written for TL 45,695,230 of notified claims and TL 8,505,345 of unreported incurred claims as of 31 December 2011 in connection with the Van earthquake on 23 October 2011.

(**) The amount consists of payments for the outstanding claims as of the beginning of the year and claim files closed without payment during the year.

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 13 - ACCUMULATED FUND RESERVE AND FAIR VALUE RESERVE

a) Accumulated Fund Reserve

The movements of Accumulated Fund Reserve in the period are as follows:

	2011	2010
Opening balance - 1 January	1,262,750,814	1,016,578,079
Net fund reserve increase in the period	-214,897,667	214,897,667
Ending balance - 31 December	1,477,648,481	1,262,750,814

According to the sixteenth article of the Decree Law number 587 published in the Official Gazette dated 27 December 1999, the resources and accumulated fund reserve of TCIP can only be used for claim payments to policy holders, operational costs for the administration of TCIP, commission payments to the Institution Administrator, reinsurance payments, hedging costs, payments for scientific research studies on the subject matters related to TCIP's jurisdiction, consultation payments, payments related to public relations and marketing campaigns, commission payments to authorized insurance companies and payments related to loss adjustment procedures.

Accumulated fund reserves can not be used except for the aforementioned payments and can not be transferred to any other institution.

b) Fair Value Reserve

The movements of Accumulated Fund Reserve in the period are as follows:

	2011	2010
Opening balance - 1 January	4,975,325	859,826
Disposals arising from sales in the period, net	(3,492,435)	(854,087)
Additions arising from financial asset purchases in the period, net	1,482,890	4,969,586
Decrease in fair value of securities in the current portfolio	(1,780,771)	-
Ending balance - 31 December	1,185,009	4,975,325

NOTE 14 - EARNED PREMIUMS

	2011	2010
Premiums written	378,812,626	319,456,664
Unearned premium reserve	(192,212,198)	(156,365,257)
Prior year unearned premium reserve	156,365,257	153,503,546
Total	342,965,685	316,594,953

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 15 - COST OF REINSURANCE COVERAGE

	2011	2010
Excess of loss reinsurance agreement premiums	82,309,878	80,652,938
Excess of loss reinsurance agreement adjustment premiums	1,802,727	17,515,230
Brokerage fees related to excess of loss reinsurance agreements	3,944,447	4,395,534
Total	88,057,052	102,563,702

NOTE 16 - INCURRED CLAIMS

	2011	2010
Claims paid in the period (*)	25,832,186	1,206,430
Outstanding claims provision at the year-end (*)	56,203,788	1,082,462
Prior year outstanding claims provision	(1,082,462)	(597,489)
Total	80,953,512	1,691,403

(*) Outstanding claims reserves were written for TL 45,695,230 of notified claims and TL 8,505,345 of unreported incurred claims as of 31 December 2011 in connection with the Van earthquake on 23 October 2011.

NOTE 17 - COMMISSION EXPENSES

	2011	2010
Commissions paid to insurance companies	62,974,353	52,975,996
Deferred commission expense	(31,809,209)	(26,230,661)
Prior year deferred commission expense	26,230,661	26,053,643
Total	57,395,805	52,798,978

NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
Advertisement expenses	2,959,313	4,316,032
Administrator expenses	2,651,688	3,595,149
IT expenses	1,128,050	1,185,502
Depreciation expenses (Note 9)	262,827	326,901
Personnel expenses	248,781	221,565
Stationery expenses	188,479	278,796
Other	641,884	348,164
Total	8,081,022	10,272,109

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 19 - FINANCIAL INCOME, NET

	2011	2010
Interest income	115,277,188	93,632,142
Marketable securities sales income	21,241,689	19,078,774
Net foreign exchange gains	-	2,255,583
Total financial income	136,518,877	114,966,499
Withholding taxes paid for financial income	(19,761,990)	(15,687,857)
Net foreign exchange losses	(8,172,992)	-
Interest expenses	(2,164,522)	(2,374,668)
Total financial expenses (-)	(30,099,504)	(18,062,525)
Financial income, net	106,419,373	96,903,974

NOTE 20 - FOREIGN CURRENCY POSITION

The assets and liabilities denominated in foreign currencies are as follows:

	2011	2010
Assets	28,620,738	46,202,258
Liabilities	(97,892,445)	(130,167,892)
Net foreign currency liability position	(69,271,707)	(83,965,634)

	2011		
	Amount in Foreign Currency	Foreign Exchange Rate	TL Amount
Cash and cash equivalent			
USD	11,165,394	1.8889	21,090,313
EUR	3,081,441	2.4438	7,530,425
Total			28,620,738
Short-term trade payables			
EUR	24,891,397	2.4438	60,829,596
USD	1,941	1.8889	3,667
Total			60,833,263

**THE TURKISH CATASTROPHE INSURANCE POOL
FOOTNOTES FOR FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2011**

(All amounts are in terms of Turkish Lira ("TL") unless any other term is stated.)

NOTE 20 - FOREIGN CURRENCY POSITION (cont'd)

	2011		
	Amount in Foreign Currency	Foreign Exchange Rate	TL Amount
Short-term portion of long term borrowings			
USD	7,572,010	1.8889	14,302,769
Total			14,302,769
Long-term borrowings			
USD	12,047,442	1.8889	22,756,413
Total			22,756,413
	2010		
	Amount in Foreign Currency	Foreign Exchange Rate	TL Amount
Cash and cash equivalent			
USD	10,782,786	1.5460	16,670,187
EUR	14,412,216	2.0491	29,532,071
Total			46,202,258
Short-term trade payables			
EUR	39,926,298	2.0491	81,812,977
USD	142	1.5460	219
Total			81,813,196
Short-term portion of long term borrowings			
USD	12,578,524	1.5535	19,540,737
Total			19,540,737
Long-term borrowings			
USD	18,547,769	1.5535	28,813,959
Total			28,813,959

NOTE 21 - PROVISIONS AND CONTINGENT LIABILITIES

As of 31 December 2011, the total risk of litigation claims pending against TCIP amount to TL 1,406,321 (31 December 2009: 940,870 TL). The total estimated ultimate cost of settling such litigation claims are provided for under the Claims Provision in the balance sheet.

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