

TURKISH CATASTROPHE INSURANCE POOL
COMPULSORY EARTHQUAKE INSURANCE
ANNUAL REPORT 2007

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RESİM

CHAIRMAN'S MESSAGE

The most frequent acts of God are, unfortunately, earthquakes which result in substantial amounts of material and moral damages as a part of our country's geological structure. In its studies since its foundation, TCIP has strived much to reduce material damages of its policyholders in 181 earthquakes and to draw attention to the fact that everyone can be affected by seismic belts where our country is situated. TCIP is a significant role model representing the successful and harmonious collaboration of the Private Sector and State.

The Pool aims at concentrating on its public relations and information campaigns it initiated in 2007 and forcing the pace of such campaigns in 2008. It is planned to carry on more frequent and permanent communications with social stakeholders in cooperation with the PR Company selected upon such studies.

Garanti Sigorta who started to work as the Pool Management Company on 8 August 2005 decided to continue its insurance activities under the name of Eureka Sigorta in October 2007. Our institution

which has carried out successful activities since its foundation concluded another year of successful operations in 2007 by achieving its expected results.

The Pool is regarded as a role model worldwide thanks to its structure and operations, and this system which was created in our country has been closely monitored by countries which are subject to similar risks.

The management of our institution, our operational manager and in particular the Undersecretariat of the Treasury who gave all of their countenance had a great contributory role in this achievement of the Pool that closed the fiscal year of 2007 by obtaining successful results. I would to take this opportunity to extend all my appreciation to those who contributed to such an achievement and I believe from the bottom of my heart that more and more achievements will follow in the future.

Yours Faithfully

RESİM

MESSAGE OF THE GENERAL MANAGER, EUREKO SİGORTA, POOL MANAGEMENT COMPANY

Damages caused by catastrophic events lead to material and moral losses which countries all around the world struggle to overcome. Even the strongest economies of the world can remain incapable during disaster management and also during the recovery of destructions after such disasters in such catastrophic times. It is impossible to ignore the fact climatic changes, environmental pollution and increasing population contribute to and trigger such catastrophes during recent years. These risks are one of the issues on which the insurance sector concentrates and focuses.

As we know, earthquakes are acts of God which occur in particular frequencies in places of known risks, however it is not possible to foresee when they will occur. Our country lies in an active seismic zone. Major earthquakes we have suffered so far have taught us good lessons about what precautions we should take against this uncontrollable disaster.

The Turkish Catastrophe Insurance Pool which was founded on the premise that the insurance will restore the insured value to its original condition prior to the occurrence of the risk has been compensating losses that occurred in residential buildings due to earthquakes, and striving hard to bring insurance consciousness and awareness to the desired level in our country since its foundation.

Our primary purpose is to maintain the success of our Institution that is managed in harmony with

the collaboration of the private sector and state. This success is analyzed by countries all around the world and used as a model owing to immediate compensation of losses, fund management, reinsurance placement, and financial strength and also its activities for dissemination of public consciousness and awareness.

Our Institution carried on its activities to improve its current Disaster Emergency Action Plan in 2007 as well. Our target is to make its scope wider in 2008. Our aim is to ensure that our Institution will prove its success in case of occurrence of a probable earthquake.

In our institution where we initiated our work under Garanti Sigorta at the date when we took over its operation, we currently continue our way as EUREKO Sigorta since its name change in October 2007. I would extend my special thanks to everyone, particularly to all insurance companies and agencies which have enabled us to generate 2.7 million policies and lay a bridge between policyholders and us since we took office, and to the Undersecretariat of the Treasury of the Republic of Turkey that has fully supported us in our activities through knowledge and experience and to the President and members of TCIP.

Yours Faithfully,

PRESIDENT AND MEMBERS OF THE BOARD OF THE TURKISH CATASTROPHE INSURANCE POOL

NAME	POSITION	COMPANY AND TITLE
İdris SERDAR	President	Deputy Director, General Directorate of Insurance, Undersecretariat of the Turkish Treasury
Metin SERİN	Member	Acting Deputy Director, Ministry of Public Works and Settlement, General Directorate of Disaster Affairs
Faruk ÖZÇELİK	Member	Deputy Director, General Directorate of Personnel and Principles, Prime Ministry
Erhan TUNCAY	Member	General Secretary, Association of the Insurance and Reinsurance Companies of Turkey
Ali Ender ÇOLAK	Member	Vice President of the Board, Capital Markets Board
Professor M. Semih YÜCEMEN	Member	Member of the University, Department of Civil Engineering, Middle East Technical University
H. Okan UTKUERİ	Member	Pool Management Company, Eureko Sigorta A.Ş. General Manager

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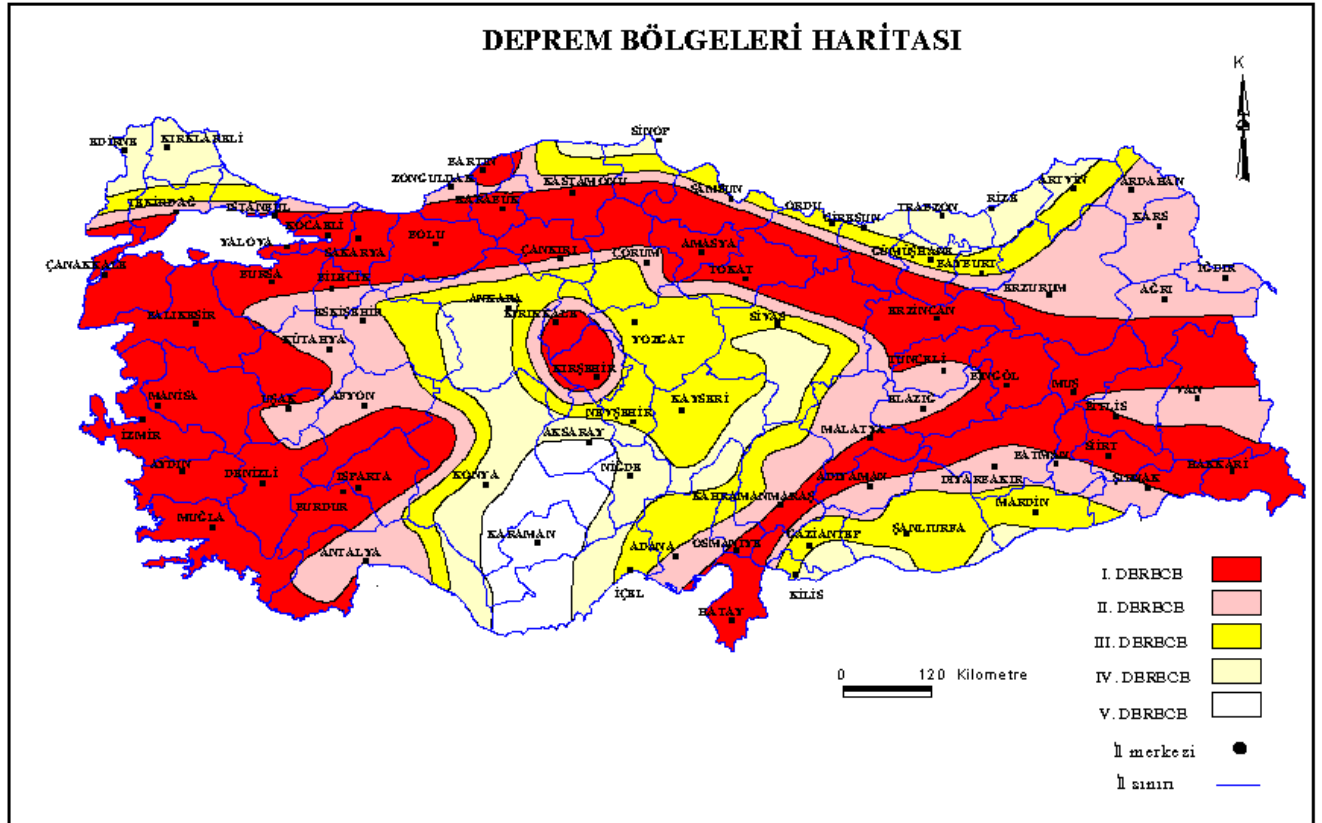
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1 PREAMBLE AND GENERAL INFORMATION

Major natural disasters which have recently occurred caused wider losses all around the world when compared to the past, which is because of an increasing population and growing urbanization. Such catastrophic risks triggered by global warming embody risks such as tornadoes, tropical storms, typhoons, cyclones, floods etc. These risks result in significant losses and are sometimes fatal.

Earthquakes which have occurred since 1990 and caused significant losses of life and property						
Earthquake	Date	Loss of Life	Casualties	Homeless	Affected Population	Monetary Loss 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	1,500,000	500
İzmit Körfezi	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
TOTAL		19,354	55,444	972,520	17,954,000	15,361

TURKEY EARTHQUAKE RISK MAP



Breakdown of Various Factors into EQ Zones (%)				
EQ Zone	Area	Population	Industry	Dams
I	42	45	51	46
II	24	26	25	23
I + II	66	71	76	69
III	18	14	11	14
I + II + III	84	85	87	83
IV	12	13	11	11
I + II + III + IV	96	98	98	94
V	4	2	2	6

Source: General Directorate of Disaster Affairs

Number of Residential Buildings Collapsed in Natural Disasters		
Type of Natural Disasters	Collapsed Residential Buildings	%
Earthquake	495,000	76
Subsidence	63,000	10
Flood	61,000	9
Rock fall	26,500	4
Avalanche	5,154	1
TOTAL	650,654	100

In addition to such hazards, whose frequency of occurrence increases because of global warming, earthquakes have become part of our lives. In particular frequency of occurrence is affected by the fact we live in an earthquake risk zone. The seismic belts where our country lies are extremely active and the majority of our homeland faces earthquake hazards. The lands where we live remind us of this truth during certain times.

Even the strongest economies of the world will inevitably be affected negatively upon occurrence of such risks and financial resources will become strained after such occurrence of natural disasters. Thus, many countries where earthquakes often occur have developed pre- and post-earthquake Disaster Management Systems. Studies performed for the preparation of emergency plans, creation of financial resources and mitigation of the extent of disasters are the most important issues among these natural disaster management systems. With the purpose to restore the insured value to its original condition upon occurrence of earthquakes in the light of the above facts, the Turkish Catastrophe Insurance Pool was founded by the Ministry with which the Undersecretariat of the Treasury is affiliated, as per the Decree Law no. 587 on Compulsory Earthquake Insurance Scheme enacted by virtue of the Empowering Act concerning the Arrangements, numbered 4452 and dated 27 August 1999, concerning Measures to be Taken against Acts of God and Settlement of Losses occurring due to such Acts of God, and promulgated in the Official Gazette numbered 23919 (bis) and dated 27 December 1999, and validated thereupon.

This Compulsory Earthquake Insurance application provides a concrete assurance which compensates for material damages sustained by homeowners during earthquakes immediately without the state's budgetary facilities. The target is to provide earthquake coverage for all homeowners falling within this scope by such Compulsory Earthquake Insurance. Thus, our country needs various audit and support mechanisms as the insurance awareness is not at optimum levels. That is why there is an obligation about the subscription and purchase of CEI policies. In addition to such obligations, we expect a more conscious sharing while we reach social stakeholders prior to and following earthquakes with advertising and public relations facilities accelerated in 2007, and also with Provincial Public Information Meetings.

The Turkish Catastrophe Insurance Pool has given assurance against earthquake risks of buildings which remain within provincial borders and are used for residential purposes since its foundation. The total amount of indemnities paid by TCIP to the policyholders for 9,818 claim files in 181 earthquakes which have occurred at magnitudes ranging from 3.6 to 6.5 so far since 27 September 2000 when such application was initiated is TRY 18,703,817.

All sections of society should adopt and give full support for our Institution and CEI policy that gets its current strength through great efforts without utilizing public sources.

Garanti Sigorta appointed as the Pool Management Manager of the Turkish Catastrophe Insurance Pool as per the law nr. 587 decided to carry on its business activities as EUREKO Sigorta in October 2007. Our Pool Management Company and the Undersecretariat have become a good role model for the collaboration of the Private Sector and State.

The insurance sector plays an important role in the application of TCIP and Compulsory Earthquake Insurance which is considered to be a model project by countries throughout the world. 25 authorized insurance companies and agencies of such insurance companies currently arrange Compulsory Earthquake Insurance policies on behalf and in the name of TCIP.

Insurance Companies Authorized to Arrange Compulsory Earthquake Insurances are as follows:

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

Data pertaining to Compulsory Earthquake Insurance as of 31 December 2007 is as follows:

Number of policies in force	: 2,617,974 policies
Current total coverage	: TRY 124 billion
Premium production 2007	: TRY 234 billion
Average coverage per home	: TRY 47.6 thousand
Average premium per home	: TRY 89.55

1.1 Board Activities

Below are some findings, evaluations and developments about the period from 1 January 2007 to 31 December 2007, which constitutes the subject of the Annual Report.

Article 6 of the Decree Law 587 concerning the Compulsory Earthquake Insurance Scheme indicates that TCIP can be managed by the TCIP's board consisting of seven members including one president. It is stipulated as per Article 7 of the same Law that the Board shall consist of 7 board members including the President as follows:

- ◆ Prime Minister,
- ◆ Undersecretariat of the Turkish Treasury
- ◆ Ministry of Public Works and Settlement,
- ◆ Capital Markets Board,
- ◆ Association of Insurance and Reinsurance Companies of Turkey
- ◆ Representative of the Pool Management Company
- ◆ One member who graduated from departments of civil engineering, geology engineering or other similar departments and is experienced about earthquakes for a minimum of seven years, and who is to be appointed by the Undersecretariat,

Such formation of the Board is of great importance for the representation of all of the relevant successful parties and successful management of the Compulsory Earthquake Insurance Scheme.

The Turkish Catastrophe Insurance Pool convened seven times and produced 22 reports of resolutions in total in 2007. Some of resolutions are summarized below:

- ◆ In its resolution dated 23 January 2007, the Board decided to continue agency incentive commissions whose framework was specified during the Board meetings of 9 March and 10 June 2006.
- ◆ It was resolved as per the second article of the Board's resolution of 6 March 2007 that;
 - The portfolio amounting to TRY 100 million be distributed equally between Yapı Kredi Portföy Yönetimi A.Ş., İş Portföy Yönetimi A.Ş. and Garanti Portföy Yönetimi A.Ş. according to the Committee Report.

Without prejudice to the provisions of Article 6 of the Board's Resolution nr. 56 of 10 June 2006, it was resolved that the Portfolio Management Companies invest in foreign assets or foreign-exchange instruments at an amount of up to 20% of the managed portfolio for their investments.

- It was resolved as per Article 4 that the Pool's Disaster Emergency Action Plan be operative.
- The Pool made a resolution as to under what conditions and circumstances expenditures and costs would be within the scope of emergency expenses as laid down under paragraph 5 of Article 7 of the Regulations on Working Principles and Procedures of the Board of Directors of the Turkish Catastrophe Insurance Pool.
- ◆ For the purpose of ensuring the uniformity and consistency in the application as per Article 10 of the Board's resolution of 22 June 2007, it was resolved that the paragraph "c" of Article 4 of the Board's resolution nr. 55

concerning the liquidation of the debt/credit balance of the contract of mandate entered into between TCIP and insurance companies on 11 April 2006 be amended as follows:

“c) Balances of account abstracts not contested by the Authorized Insurance Companies shall be passed to accounts of the Pool at the latest by the end of each month. In the event that the last payment date coincides with an official day, then the first business day following that day shall be taken into consideration”.

- ◆ In its Board’s meeting of 7 August 2007, the Pool appointed Bersay İletişim Danışmanlığı A.Ş. as the PR Company of the Pool.
- ◆ In its Board’s meeting of 2 October 2007, it was resolved that a public poll be conducted.
- ◆ According to the Board’s resolution of 11 December 2007;
 - Akademetre was elected for the public polls.
 - It was also decided that the Pool Management Company and PR Company Bersay would prepare a program for 2008 to introduce public relations activities and improve active contributions for the Compulsory Earthquake Insurance in provinces found to have a higher density of residential units in Turkey according to the public polls.
 - It was also agreed that, in consideration of contents used to train claim adjusters, and Turkish Insurance Institute’s experience in the relevant field and ability to procure integrated services in engineering, insurance and claim adjustment, services would be rendered according to the framework of the proposal.

1.2 Issues Pertaining to Legislations and Practices

Changes in Tariff Rates

Some amendments were made on the Compulsory Earthquake Insurance Tariff by “Tariffs and Instructions of the Compulsory Earthquake Insurance Scheme” promulgated in the Official Gazette nr. 26440 of 20 February 2007.

The rates per each square meter as well as maximum coverage sums were rearranged as of 22 February 2007 and are as follows:

- Maximum insured sum: TRY 110,000
- Price per square meter

A- Steel, Reinforce Concrete Constructions:	TRY 450
B- Constructions Built of Piled Stones	TRY 320
C- Other Constructions:	TRY 170

1.3 Activities of Pool Management Company Eureko Sigorta / 2007

Garanti Sigorta A.Ş. was selected as the Pool Management Company of TCIP for a period of 5 years with an agreement entered into by the Undersecretariat of the Turkish Treasury on 8 August 2005 by virtue of Article 6 of the Decree Law nr. 587. Garanti Sigorta decided to continue its insurance facilities as Eureko Sigorta in October 2007.

As the Pool Management Company in 2007:

1.3.1 Fund Management

TCIP funds were managed first with consideration of liquidity and capital security as well as rates of return in accordance with principles of investments of the Pool's sources as laid down in the "Regulations concerning the Working Principles and Procedures of TCIP's board. The fund is partially managed by portfolio management companies in accordance with the said principles.

1.3.2 Reinsurance Protection

Liabilities arising out of policies of the Pool are regularly monitored and reinsurance protection limits are provided in view of the earthquake loss models constituted by international institutions. In this connection, the TCIP's reinsurance protection was renewed in accordance with the features of the existing portfolio as of 1 November 2007 and placed through various reinsurers under the leadership of companies such as Swiss Re – Switzerland, Munich Re. – Germany, Axa re. – France, Amlin – England etc. for the period from 1 November 2007 to 31 October 2008, and an excess-of-loss reinsurance protection consisting of seven (7) layers was procured at an amount of Euro 1,150 million this way.

1.3.3 TCIP System's New Software

The aim is to implement required changes and modifications in the current software in 2007. In addition to the maintenance facilities of the current software, new software development and tests were also conducted.

In the current software;

- ◆ KPS integration was implemented.
- ◆ Compulsory field controls for information such as map sections, blocks, parcels of land and pages were eliminated so that policies could be produced without such obligatory information.
- ◆ Insurance companies and distribution channels were provided with facilities to be able to monitor renewals of policies with a loss payee clause.

Within the scope of the New Software project:

- ◆ Companies were given information about the new software project at the information meetings.
- ◆ Works for web services to be rendered to companies and documentation of manuals were implemented.
- ◆ It was resolved that pilot companies would first adapt to the new software with other companies following that process.
- ◆ System analysis tests were completed and user tests were initiated within the scope of the new software project.
- ◆ Acceptances were introduced for the transfer of details of policies and losses from the current TCIP database to the new software's database and conversion activities were thus initiated.
- ◆ The user descriptions which were previously valid were transferred into the new System so that companies would be able to use the application under the same user code - password.

1.3.4 Advertising and Public Relations

Principles and procedures for procurement of goods and services were specified in accordance with the Regulations concerning the Amendments to the Regulations on Working Principles and Procedures of the Board of Directors of the Turkish Catastrophe Insurance Pool of 29 November 2006 as promulgated following removal of the Turkish Catastrophe Insurance Pool from the scope of the Public Procurement Act. The Advertising and Public Relations strategy was decided upon in accordance with such works and the PR Company was appointed to handle these activities. TCIP adopted a Professional strategy of communications within the scope of the contract entered into with the appointed PR Company.

TCIP has concentrated on managing risks the society faced through rational methods and attaining a higher level of prosperity, and gave much importance to provincial public information meetings throughout Turkey in 2007 as well with a view to highlighting the fact that there was a need to act upon social responsibility awareness. In this context, we had arranged meetings in Kütahya, Malatya, Kayseri, Balıkesir, Adana and Samsun respectively. Provinces where such meetings were arranged were selected according to what earthquake risk zones such provinces were located in and what insurability rates they held.

In line with purposes of the Turkish Catastrophe Insurance Pool, it was decided to appoint a Research Company that would conduct research activities for evaluating TCIP itself and measuring how the Compulsory Earthquake Insurance was perceived by the relevant social stakeholder groups, and Akademetre was selected as the Research Company upon the decision of the Committee that convened in November 2007.

With the research conducted over 2,260 persons of 4 different social stakeholder groups, consisting of homeowners, agencies selling Compulsory Earthquake Insurance policies, media members and academicians, in 16 provinces, the purpose was to measure how social stakeholders perceived TCIP and Compulsory Earthquake Insurance.

In the light of research findings, the aim is to draw up an integrated “Strategic Communications Scheme” for TCIP. Thus, the research so conducted will constitute a foundation for the following inspection works.

TCIP made public announcements under the headlines “What would you do if an earthquake occurred today?” in 4 large newspapers with a high circulation throughout the country on 17 August and 12-19 November 2007, and following contacts with the Football Federation, some banners highlighting the importance of CEI were hung during football games played all around Turkey on 17-18-19 August. Moreover, there was some participation in the public information programs in various radio and TV channels and interviews in various newspapers about TCIP and also the earthquake phenomenon in our country.

In addition, a press conference was made under the main theme “Life Goes On after the Earthquake” in Istanbul on 12 December 2007.

1.3.5 Disaster Emergency Action Plan

A Disaster Emergency Action Plan was developed in order for our Institution to forthwith do what is expected of it in case of occurrence of earthquakes and implement its activities in a planned manner. In the event that a major earthquake occurs as stipulated within the context of this plan, sufficient claim adjusters need to be appointed,

reports should be evaluated and amounts of compensation should be determined and paid off, so this issue is considered as extremely important by our Institution.

After such researches, the Disaster Emergency Action Plan was prepared under the leadership of Professor Mikdat Kadiođlu by his staff from Istanbul Technical University and also by a team of the personnel of Eureko Sigorta.

Thus, three different scenarios were prepared under scenarios yellow, blue and red which might occur according to the impact of the magnitude of any probable earthquakes.



The aim is to implement such plans on 5,000 loss claims following occurrence of an earthquake event in and outside of Istanbul and the implementation of the Plan is under the responsibility of the Pool Management Company Eureko Sigorta.

It is aimed to start claim adjusters' training sessions which constitute a significant part of the development of this plan in 2008.

The Plan was implemented upon the Board's decision on 6 March 2007.

1.3.6 Assessment of Losses and Indemnity Payments

Claim adjustment operations are fulfilled by independent claim adjusters appointed on behalf of the Turkish Catastrophe Insurance Pool. Payments of indemnities fixed after such claim adjustments are effected directly by the Turkish Catastrophe Insurance Pool.

Indemnity Payments as per Earthquakes:

- ◆ A total amount of TRY 18,703,817 was paid for 9,818 loss files opened after a total of 181 earthquake occurrences as from 27 September 2000 when this application was initiated.
- ◆ An amount of TRY 965,752,000 was paid for 846 files opened after 28 earthquake events in 2007.

97% of the Paid Losses belong to partial losses

As for payments of indemnities made so far, indemnities were fully paid on the basis of policies at a rate of 3% in respect of a total of 9,818 loss claims. 97% of indemnity payments are expenses incurred for repair works, which did not cause any destruction in houses due to the small and medium-scale earthquakes.

Indemnity Payments as per Years:

LOSS PAYMENTS BY YEARS (26 December 2007)			
YEAR	NUMBER OF EARTHQUAKES	NUMBER OF FILES	PAYMENT (TRY)
2000	1	6	23,022

2001	17	338	127,497
2002	21	1,558	2,284,835
2003	20	2,504	5,203,990
2004	31	587	768,927
2005	41	3,485	8,043,617
2006	22	494	1,286,178
2007	28	846	965,752
TOTAL	181	9.818	18.703.817

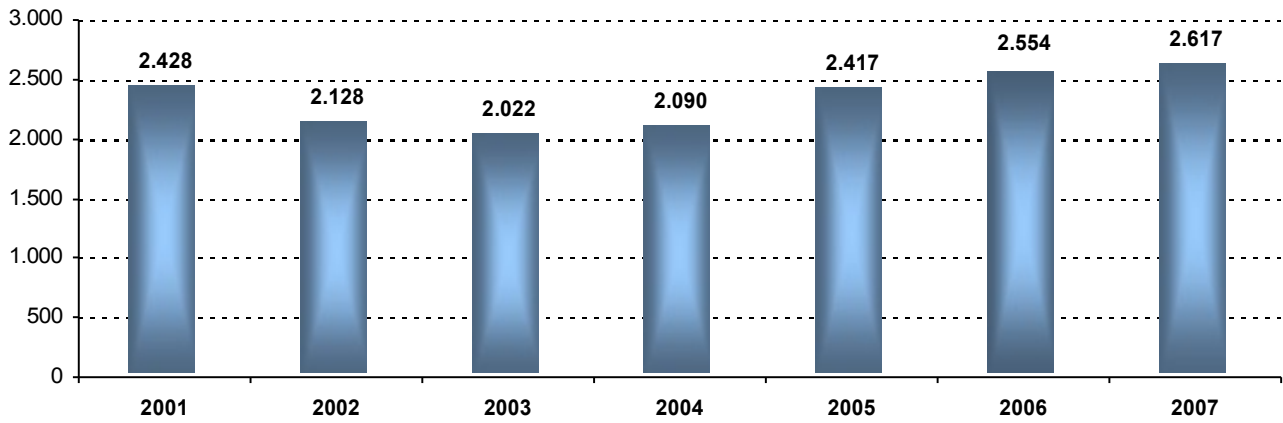
1.3.7 Campaign for Incentives for the Insurance Companies

A campaign consisting of three periods from 1 January 2007 to 31 December 2007 was held so as to incite premium production of the insurance companies and agencies. Depending on the pre-requisite that the total number of policies integrated into the system during the relevant period would be increased by a minimum of 5%, the campaign, which envisaged payment of incentive commissions to companies for the achievement such companies showed in premium production and also in the increase of such premium production as well as the number of policies be undertaken, was rendered during quarterly terms in 2007 by the Manager of the Pool. Out of four terms, two terms met the criteria for the arrangement of campaigns.

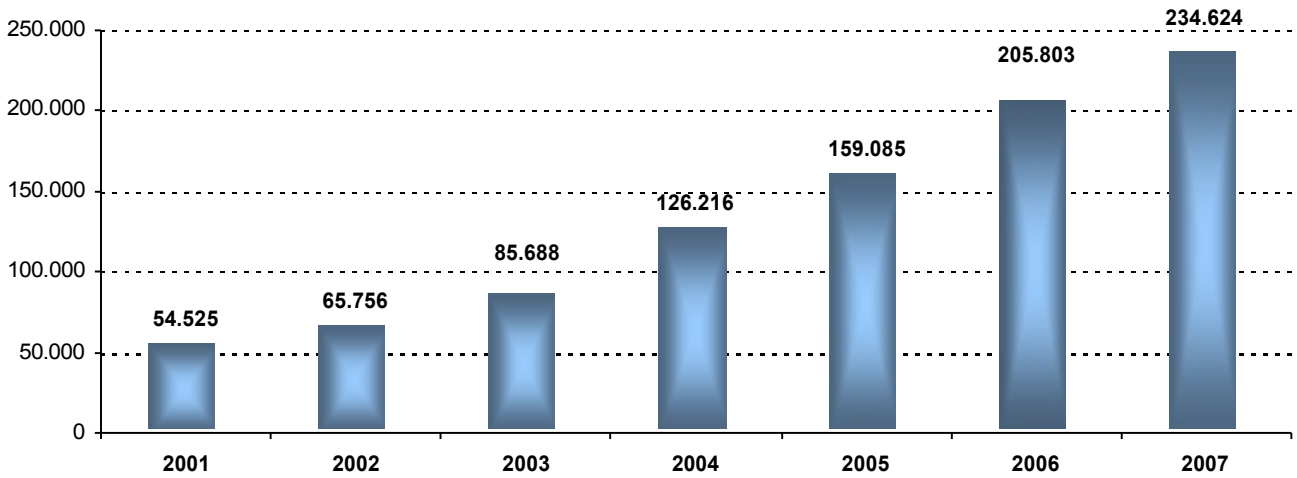
2 STATISTICS

2.1 Policy Production Figures by Years

NUMBER OF COMPULSORY EQ INSURANCE POLICIES BY YEARS (000 Units)



PREMIUMS OF COMPULSORY EQ INSURANCE POLICIES BY YEARS (000 TRY)



2.2

Company-wise Policy Production Figures

CEI POLICY PRODUCTION REPORT (AS OF 31 DECEMBER 2007)					
PRODUCTION BY COMPANIES	2006		2007		Increase % of Policies
	Number of Policies	% Percentage of Policies	Number of Policies	% Percentage of Policies	
ANADOLU ANONİM TÜRK SİGORTA A.Ş.	357,557	14.0	361,939	13.8	1.2
AXA OYAK SİGORTA A.Ş.	335,792	13.1	333,354	12.7	-0.7
BAŞAK SİGORTA A.Ş.	244,849	9.6	258,654	9.9	5.6
GÜNEŞ SİGORTA A.Ş.	240,601	9.4	239,985	9.2	-0.3
AKSİGORTA A.Ş.	206,335	8.1	196,338	7.5	-4.8
KOÇ ALLIANZ SİGORTA A.Ş.	163,014	6.4	157,551	6.0	-3.4
ERGOİSVİÇRE SİGORTA A.Ş.	153,636	6.0	153,441	5.9	-0.1
YAPI KREDİ SİGORTA A.Ş.	131,312	5.1	132,248	5.1	0.7
RAY SİGORTA A.Ş.	115,524	4.5	100,032	3.8	-13.4
FİBA SİGORTA A.Ş.	73,862	2.9	98,173	3.7	32.9
EUREKO SİGORTA A.Ş.	63,370	2.5	86,430	3.3	36.4
BİRLİK SİGORTA A.Ş.	59,782	2.3	78,117	3.0	30.7
GÜVEN SİGORTA T.A.Ş.	67,302	2.6	64,086	2.4	-4.8
AVIVA SİGORTA A.Ş.	43,435	1.7	63,229	2.4	45.6
TÜRKİYE GENEL SİGORTA A.Ş.	50,067	2.0	57,244	2.2	14.3
HDI SİGORTA A.Ş.	43,780	1.7	51,618	2.0	17.9
İŞIK SİGORTA A.Ş.	44,485	1.7	47,451	1.8	6.7
ANKARA SİGORTA A.Ş.	55,642	2.2	42,598	1.6	-23.4
GENERALİ SİGORTA A.Ş.	34,329	1.3	24,957	1.0	-27.3
TEB SİGORTA A.Ş.	18,977	0.7	23,248	0.9	22.5
ŞEKER SİGORTA A.Ş.	22,932	0.9	22,089	0.8	-3.7
HÜR SİGORTA A.Ş.	22,830	0.9	19,424	0.7	-14.9
AIG SİGORTA A.Ş.	3,131	0.1	2,870	0.1	-8.3
TOPRAK SİGORTA A.Ş.	2,168	0.1	2,043	0.1	-5.8
TİCARET SİGORTA A.Ş.	-3	0.0	855	0.0	0.00
TOTAL	2,554,709	100.0	2,617,974	100.0	5.7

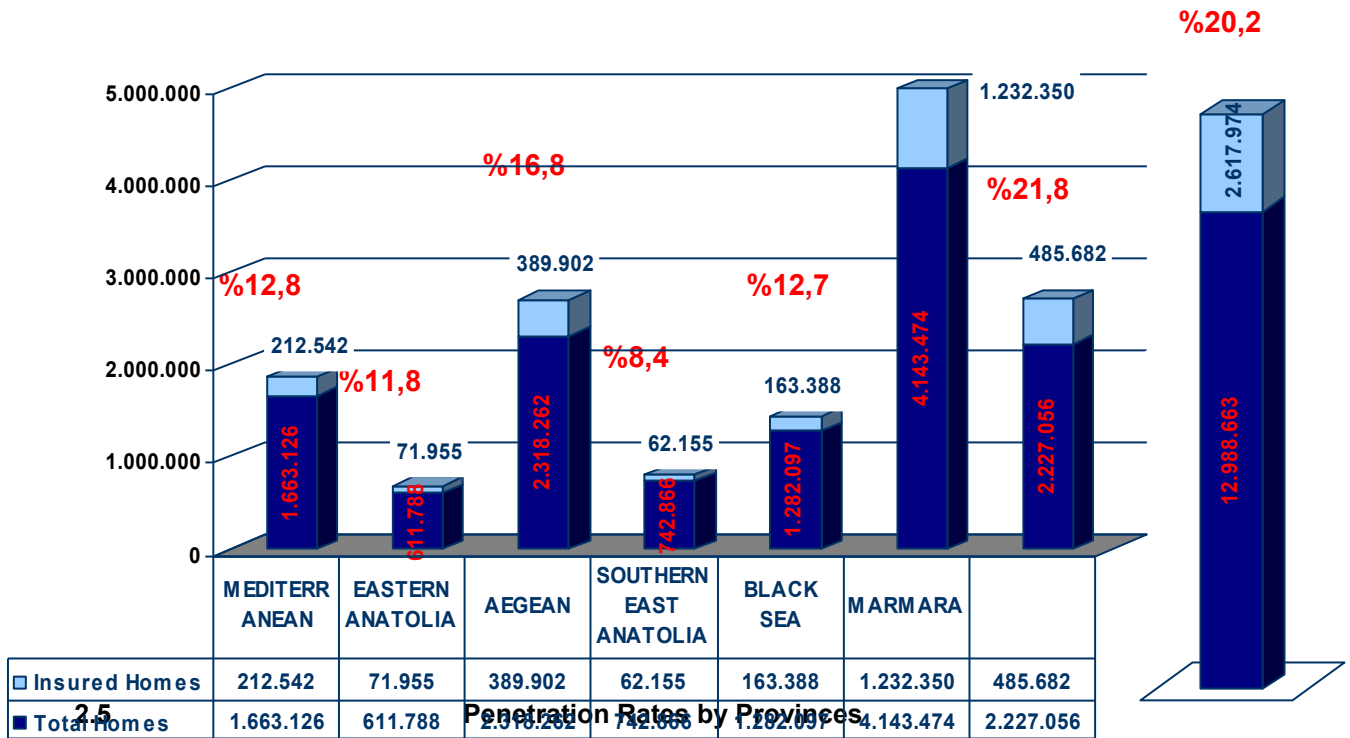
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Policy Production Figures by Months

MONTHS	2005 POLICIES	2006 POLICIES	2007 POLICIES	2005 PREMIUM TRY	2006 PREMIUM TRY	2007 PREMIUM TRY	INCREASE % IN NUMBER OF POLICIES	INCREASE % IN NUMBER OF POLICIES
JANUARY	126,26 5	149,75 4	172,12 4	8,678,305	10,235,568	14,562,216	14.9	42.3
FEBRUARY	159,18 8	198,31 6	200,74 1	10,498,332	15,359,995	17,002,935	1.2	10.7
MARCH	339,52 8	364,88 0	333,85 1	22,183,945	29,712,519	30,252,408	-8.5	1.8
APRIL	277,50 6	278,97 9	270,44 7	18,055,382	22,607,761	24,416,261	-3.1	8.0
MAY	224,78 8	244,52 0	246,19 1	14,379,309	19,593,672	22,134,175	0.7	13.0
JUNE	181,23 9	198,00 6	200,01 1	11,765,896	15,887,672	17,891,360	1.0	12.6
JULY	162,93 1	168,57 0	181,87 5	10,653,674	13,467,270	16,280,216	7.9	20.9
AUGUST	178,90 1	173,49 4	190,20 9	11,544,714	14,140,632	17,183,065	9.6	21.5
SEPTEMBER	180,25 3	180,97 3	185,19 4	11,839,991	14,831,011	16,737,238	2.3	12.9
OCTOBER	196,46 6	173,90 4	185,16 5	13,624,598	14,780,734	17,051,295	6.5	15.4
NOVEMBER	154,81 5	199,45 8	216,42 8	10,345,106	16,591,631	19,821,530	8.5	19.5
DECEMBER	235,29 6	223,85 5	235,74 5	15,515,898	18,592,392	21,291,225	5.3	14.5
TOTAL	2,417,176	2,554,709	2,617,974	159,085,150	205,800,858	234,623,318	2.5	14.0

2.4

Penetration Rates by Regions **%29,7**



2.5

Penetration Rates by Provinces

REGIONS AND PROVINCES	* TOTAL NUMBER OF HOMES	INSURED HOMES	INSURABILITY RATE %	COVERAGE (TRY)	PREMIUM (TRY)
AEGEAN	2,318,262	389,902	16.82	17,821,855,470	43,160,277
MUĞLA	155,696	58,831	37.79	2,436,579,650	6,075,441
İZMİR	912,585	186,110	20.39	8,774,441,540	21,394,832

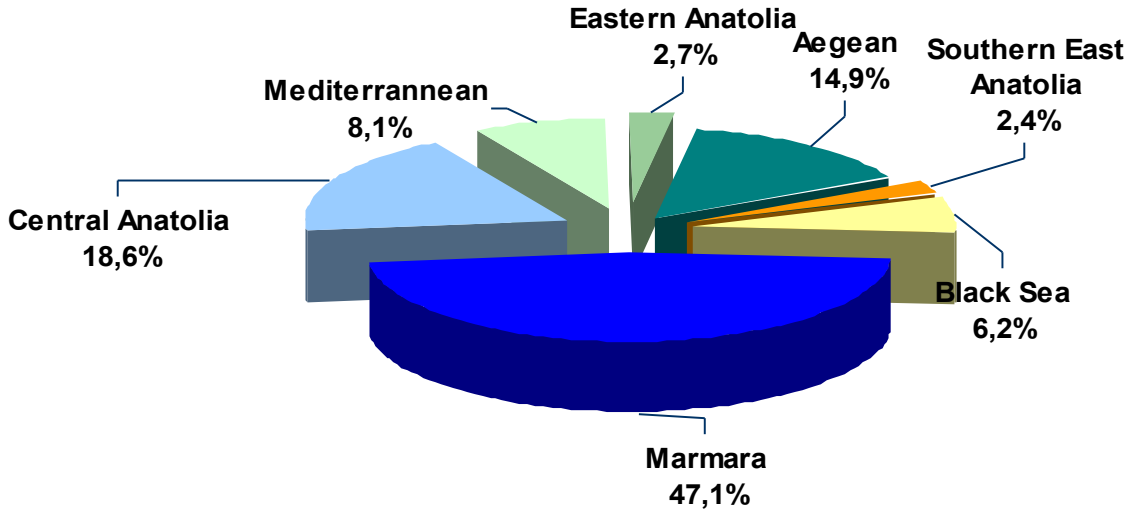
DENİZLİ	187,334	32,880	17.55	1,754,278,900	4,250,818
AYDIN	219,408	44,856	20.44	1,910,461,995	4,754,447
UŞAK	66,125	8,079	12.22	397,995,205	723,100
MANİSA	243,854	29,064	11.92	1,273,813,525	3,190,208
AFYON KARAHİSAR	137,210	17,752	12.94	725,984,790	1,652,868
KÜTAHYA	123,450	12,330	9.99	548,299,865	1,118,562
MEDITERRANEAN	1,663,126	212,542	12.78	10,718,007,020	17,763,293
ANTALYA	365,097	75,024	20.55	3,638,445,765	5,815,488
MERSİN	352,147	46,886	13.31	2,508,321,505	2,410,058
ADANA	375,351	39,404	10.50	2,269,419,355	3,854,605
BURDUR	52,018	6,970	13.40	295,548,380	771,417
ISPARTA	97,938	12,848	13.12	545,324,715	1,429,416
HATAY	218,635	18,888	8.64	872,242,415	2,134,034
OSMANİYE	68,586	5,098	7.43	234,720,225	551,607
K.MARAŞ	133,354	7,424	5.57	353,984,660	796,669
EASTERN ANATOLIA	611,788	71,955	11.76	3,587,170,185	7,495,906
ERZİNCAN	41,437	9,375	22.62	410,807,355	1,107,440
TUNCELİ	10,344	1,775	17.16	80,776,205	151,251
ERZURUM	94,248	10,675	11.33	555,451,980	988,188
KARS	23,646	2,551	10.79	122,652,580	218,476
ELAZIĞ	87,783	20,389	23.23	1,111,926,630	2,024,335
ARDAHAN	6,463	737	11.40	33,278,170	56,903
MALATYA	123,573	11,954	9.67	635,192,925	1,545,004
VAN	64,081	3,554	5.55	173,722,755	320,787
AĞRI	32,921	1,994	6.06	72,486,060	147,448
İĞDIR	16,553	877	5.30	43,746,590	78,220
BİTLİS	28,919	2,142	7.41	83,434,830	185,855
MUŞ	28,815	1,077	3.74	46,039,210	112,767
BİNGÖL	22,458	3,918	17.45	182,413,340	449,348
HAKKARİ	16,314	937	5.74	35,241,555	109,882
SOUTHERN EAST ANATOLIA	742,865	62,155	8.37	3,164,617,040	4,355,957
GAZİANTEP	223,694	22,326	9.98	1,247,654,455	1,306,621
DİYARBAKIR	160,281	13,775	8.59	729,816,855	1,318,319
ŞANLIURFA	126,916	11,048	8.70	520,077,830	578,122
ADIYAMAN	60,552	5,489	9.06	253,019,710	482,851
KİLİS	16,318	953	5.84	38,274,855	47,374
MARDİN	70,134	3,245	4.63	149,821,275	170,331
SİİRT	24,195	1,355	5.60	51,761,340	132,742
ŞIRNAK	30,547	556	1.82	27,738,580	52,314
BATMAN	44,462	3,408	7.67	146,452,140	267,284
MARMARA	4,143,473	1,232,350	29.74	58,864,602,375	126,292,107
YALOVA	64,227	24,312	37.85	1,034,485,620	2,534,447
İSTANBUL	2,714,462	815,903	30.06	39,656,312,240	84,833,639
TEKİRDAĞ	178,113	58,590	32.89	2,836,412,535	3,964,587
KIRKLARELİ	66,520	14,342	21.56	686,202,300	535,502
EDİRNE	75,983	19,480	25.64	891,100,320	948,666
KOCAELİ	281,663	73,036	25.93	3,475,999,225	8,348,940
SAKARYA	125,109	40,081	32.04	1,856,429,975	4,605,304
ÇANAKKALE	90,302	21,565	23.88	925,816,880	2,332,341
BURSA	512,158	100,329	19.59	4,809,089,840	11,560,655
BİLECİK	34,937	5,835	16.70	268,563,610	573,075
BALIKESİR	272,600	58,877	21.60	2,424,189,830	6,054,952
CENTRAL ANATOLIA	2,227,055	485,682	21.81	23,157,929,740	22,134,502
ANKARA	902,900	304,634	33.74	14,932,795,350	11,602,698
ESKİŞEHİR	166,174	43,153	25.97	1,828,091,510	3,370,221
ÇANKIRI	34,893	3,895	11.16	155,620,160	386,950
KAYSERİ	218,896	37,906	17.32	1,857,015,980	1,885,681

KIRŞEHİR	44,458	6,279	14.12	239,331,160	609,705
SİVAS	93,719	10,784	11.51	477,009,935	570,744
NEVŞEHİR	60,670	7,044	11.61	267,997,820	331,529
KARAMAN	44,706	4,029	9.01	208,086,000	138,918
KONYA	375,915	42,515	11.31	2,016,356,225	1,934,789
AKSARAY	65,232	8,085	12.39	393,347,870	279,159
NİĞDE	63,806	6,735	10.56	321,304,560	248,434
YOZGAT	89,145	6,603	7.41	280,566,285	346,309
KIRIKKALE	66,542	4,020	6.04	180,406,885	429,368
BLACK SEA	1,282,095	163,388	12.74	7,555,403,825	13,421,277
BOLU	38,918	16,654	42.79	800,378,275	1,944,812
DÜZCE	29,758	11,488	38.61	507,812,455	1,252,059
AMASYA	60,760	8,466	13.93	355,574,860	907,648
SİNOP	32,290	4,543	14.07	189,710,270	211,867
KASTAMONU	55,919	8,555	15.30	398,232,160	862,441
ÇORUM	91,638	14,210	15.51	661,285,000	1,232,793
ZONGULDAK	114,260	13,177	11.53	621,409,210	1,179,612
SAMSUN	204,034	22,344	10.95	1,027,081,045	1,723,289
BARTIN	23,942	3,336	13.93	140,268,020	348,626
KARABÜK	45,380	5,075	11.18	213,919,920	529,475
TRABZON	156,089	15,776	10.11	805,843,655	615,702
ORDU	130,823	11,337	8.67	573,983,545	645,943
ARTVİN	24,152	2,674	11.07	118,194,450	115,511
GİRESUN	76,527	6,550	8.56	296,399,580	274,550
TOKAT	106,952	11,789	11.02	489,654,940	1,222,101
RİZE	60,778	4,712	7.75	228,729,340	177,752
GÜMÜŞHANE	20,782	1,552	7.47	68,706,160	115,031
BAYBURT	9,095	1,150	12.64	58,220,940	62,065
TURKEY - OVERALL	12,988,663	2,617,974	20.16	124,869,585,655	234,623,318

*State Institute of Statistics' Home Counts of 2000 are taken as the basis

2.6

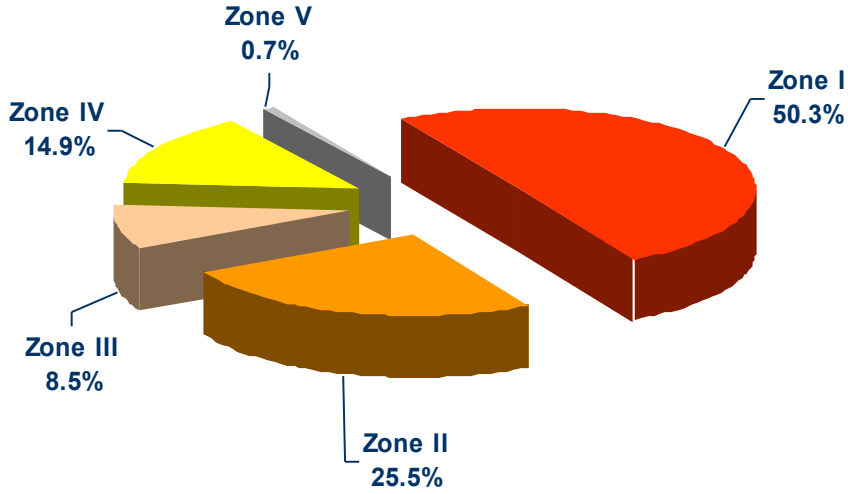
Breakdown of Policies into Regions



PRODUCTION BY REGIONS	Number of Policies	Percentage (%)	Premium (TRY)	Percentage (%)
Mediterranean	212,542	8.1	17,763,293	7.6
Eastern Anatolia	71,955	2.7	7,495,906	3.2
Aegean	389,902	14.9	43,160,277	18.4
Southern East Anatolia	62,155	2.4	4,355,957	1.9
Black Sea	163,388	6.2	13,421,277	5.7
Marmara	1,232,350	47.1	126,292,107	53.8
Central Anatolia	485,682	18.6	22,134,502	9.4
TOTAL	2,617,974	100	234,623,318	100

2.7

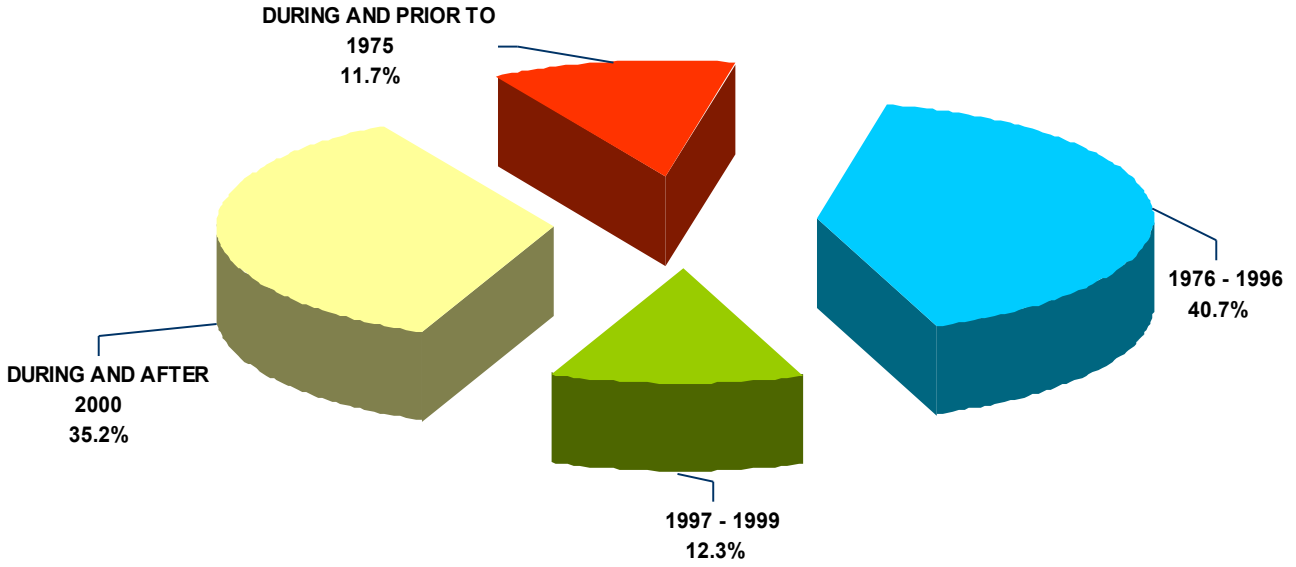
Breakdown of Policies into Risk Regions



PRODUCTION BY RISK REGIONS	Number of Policies	Percentage (%)	Premium (TRY)	Percentage (%)
Zone 1	1,317,756	50.3	150,571,253	64.2
Zone 2	666,963	25.5	58,862,400	25.1
Zone 3	223,063	8.5	11,666,852	5.0
Zone 4	390,869	14.9	12,975,250	5.5
Zone 5	19,323	0.7	547,563	0.2
TOTAL	2,617,974	100	234,623,318	100

2.8

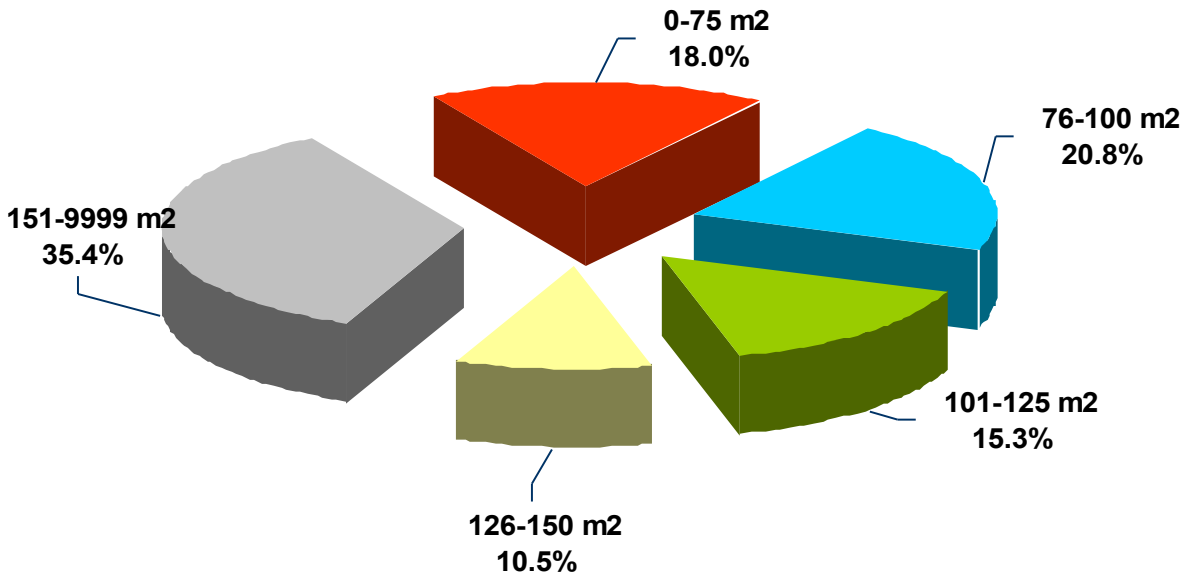
Breakdown of Policies into Construction Years



PRODUCTION BY CONSTRUCTION YEARS	Number of Policies	Percentage (%)	Premium (TRY)	Percentage (%)
During and Prior to 1975	307,063	11.7	25,009,824	10.7
Between 1976-1996	1,066,616	40.7	98,303,317	41.9
Between 1997-1999	323,078	12.3	30,647,665	13.1
During and After 2000	921,217	35.2	80,662,512	34.4
TOTAL	2,617,974	100.0	234,623,318	100.0

2.9

Breakdown of Policies into Building Areas



PRODUCTION BY AREAS OF BUILDINGS	Number of Policies	Percentage (%)	Premium	Percentage (%)
Below 75 m ²	470,537	18.0	29,455,560	12.6
76-100 m ²	545,632	20.8	51,920,310	22.1
101-125 m ²	401,630	15.3	38,807,511	16.5
126-150 m ²	273,855	10.5	40,786,837	17.4
Above 150 m ²	926,320	35.4	73,653,100	31.4
TOTAL	2,617,974	100.0	234,623,318	100.0

3 AUDIT REPORT

PRICEWATERHOUSECOOPERS

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
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Telephone + 90 (212) 326 6060
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INDEPENDENT AUDIT REPORT

Turkish Catastrophe Insurance Pool
Board of Directors

1. We have audited the balance sheet of the Turkish Catastrophe Insurance Pool (“TCIP” or “Pool”) as of the end of 31 December 2007, income statement of the year ending as of the foregoing date, statement of changes in net assets, and cash flow statement, summary of the significant accounting policies and other footnotes.

Responsibility of the Pool’s Board for the Financial Statements

2. The Pool’s Board of Directors is liable for preparing the financial statements in accordance with the International Financial Reporting Standards, and also proper submission thereof. Such a liability comprises of designing, implementation and maintenance of the internal audit needed for the preparation and proper submission of financial statements in a manner not to include any significant errors arising out of false or fraudulent acts, and realization of reasonable accounting estimations under existing conditions, and selection and performance of the appropriate accounting policies.

Liabilities of the Independent Auditing Company

3. Our liability is to deliver our opinions about financial statements on which we perform our independent audit. Our independent audit has been fulfilled in compliance with the International Audit Standards. Such standards require compliance of ethic principles, and performance of the independent audit within the scope of the plan to ensure that no significant errors exist in the financial statements.

The audit involves use of auditing techniques with a view to collecting evidences pertaining to sums and remarks in the financial statements. The selection of the auditing techniques is made according to the views of the auditor in a manner to include the risk assessment as to whether financial statements include significant errors or not and also whether they arise from false or fraudulent acts or not. In assessment of risks, the internal control system related to the preparation and proper submission of the financial statements of the enterprise is taken into consideration; however the aim is to develop the auditing techniques required under the existing conditions, not to deliver opinions about the efficiency of the internal control system. The audit also involves the assessment of the overall type of submission of financial statements in addition of the conformity of the accounting policies applied by the management of the enterprise and reasonableness of accounting estimations so made. We believe that evidences we have obtained regarding the audit constitute a sufficient and appropriate ground to create our views.

4. In our opinion, the enclosed financial statements reflect all important aspects of the financial status of the Turkish Catastrophe Insurance Pool prevailing on 31 December 2007, and also its financial performance of the year ending on the foregoing date, and cash flows, in accordance with the International Financial Reporting Standards.

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

Talar Gül, SMMM
Responsible Partner, Chief Auditor

Istanbul, 10 June 2008

3.1 FINANCIAL STATEMENTS

3.1.1 BALANCE SHEETS

DETAILED BALANCE SHEETS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

	Note	2007	Re-arranged 2006
ASSETS			
Liquid Assets	5	579,313,795	407,249,105
Available-for-sale financial assets	6	101,958,000	92,059,764
Premium receivables	7	18,593,469	15,522,849
Expenditures for deferred commissions	16	19,507,181	16,541,935
Other assets	8	51,060,658	53,207,096
Tangible assets, net	9	1,098,565	1,322,832
Total assets		771,531,668	585,903,581
LIABILITIES AND NET ASSETS			
Short-term instalments of long-term loans	10	10,408,062	10,089,390
Other short-term liabilities	11	61,952,112	60,191,474
Unearned premium reserves	12	115,830,090	100,585,778
Reserves for Outstanding Losses and Damages	12	529,724	291,511
Long-term borrowings	10	59,637,206	81,089,346
Other long-term liabilities	13	-	70,280
Total liabilities		248,357,194	252,317,779
Current value fund		(1,396)	(614,550)
Accumulated fund reserves		523,175,870	334,200,352
Total net assets		523,174,474	333,585,802
Total liabilities and net assets		771,531,668	585,903,581

The following notes constitute an integral part of financial statements.

3.1.2 INCOME STATEMENT

INCOME STATEMENTS OF YEARS ENDED ON 31 DECEMBER 2007 AND 2006

(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

	Note	2007	Re-arranged 2006
Income			
Net Premium Income	14	219,355,704	184,693,068
Total income		219,355,704	184,693,068
Expenditures			
Reinsurance expenditures		(78,083,774)	(61,901,849)
Commission expenditures	16	(40,208,268)	(32,850,428)
Net claims	15	(1,591,351)	(3,916,185)
Total Expenditures		(119,883,393)	(98,668,462)
Net insurance income and paid losses		99,472,311	86,024,606
Financial income	18	106,863,209	85,130,027
Financial expenditures	19	(14,942,290)	(25,474,655)
Administrative Expenses	17	(2,417,712)	(2,954,500)
Increase in fund reserves		188,975,518	142,725,478

The following notes constitute an integral part of financial statements.

3.1.3 STATEMENT OF CHANGES IN NET ASSETS**STATEMENTS OF CHANGES IN NET ASSETS AS OF 31 DECEMBER 2007 AND 2006**

(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

	Sound value fund	Accumulated fund reserves	Total
1 January 2006	926,844	191,474,874	192,401,718
Fair value fund	(1,541,394)	-	(1,541,394)
Increase in fund reserves	-	142,725,478	142,725,478
31 December 2006	614,550	334,200,352	333,585,802
Fair value fund	(613,154)	-	(613,154)
Increase in fund reserves	-	188,975,518	188,975,518
31 December 2006	(1,396)	523,175,870	523,174,474

The following notes constitute an integral part of financial statements.

3.1.4 CASH FLOW STATEMENTS**CASH FLOW STATEMENTS AS OF 31 DECEMBER 2007 AND 2006**

(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

	Note	2006	2005
Cash flows from operating activities			
Increase in fund reserves		188,975,518	142,725,478
Adjustments:			
Amortisation and depreciation	9	735,220	1,264,639
Income from Investments	18	(88,843,839)	(58,292,080)
Expenditures on Interests	19	5,978,059	5,010,898
Exchange profit/loss associated with loans		(14,715,180)	4,143,140
Increase in Receivables		(3,070,620)	(1,969,357)
(Increase)/decrease in other current assets		2,146,438	(53,207,096)
Decrease in other long-term liabilities		70,280	(2,080,625)
Changes in technical reserves and deferred commissions		12,517,279	16,674,808
Increase in other short-term liabilities		1,249,685	47,311,406
Cash flows from operating activities		104,902,280	101,581,211
Cash flows from investment activities			
Interest Received		92,399,528	56,803,623
Financial assets for purchase		(13,981,585)	7,086,226
Purchases of tangible assets	9	-	(798,022)
Net cash from investments		78,417,943	63,091,827
Cash flows from financing activities			
Back-payment of loans		(8,244,582)	(8,487,122)
Cash inflows from loans		-	44,425,107
Interest payments		(4,151,765)	(4,673,993)
Net cash from financing activities (flow)/inflow		(12,396,347)	31,263,992
Net changes in liquid assets		170,923,876	195,937,030
Cash assets as at the beginning of the period	5	400,888,026	204,950,996
Cash assets as at the end of the period	5	571,811,902	400,888,026

The following notes constitute an integral part of financial statements.

TURKISH CATASTROPHE INSURANCE POOL
EXPLANATORY FOOTNOTES PERTAINING TO THE
FINANCIAL STATEMENTS PREPARED AS OF 31 DECEMBER 2007
(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

3.1.5 EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS

3.1.5.1 NOTE 1 – POOL’S ORGANIZATION AND SCOPE OF ACTIVITIES

The Turkish Catastrophe Insurance Pool ("TCIP") or ("Pool") was established as a legal entity affiliated with the Ministry with a view to effecting insurances under the Decree Law nr. 587 promulgated in the Official Gazette dated 27 December 1999 as resolved by the Ministry, and to fulfil other duties delegated pursuant to such a Decree Law. The basic operation of the Pool is to take out insurance policies under the Compulsory Earthquake Insurance scheme in order to meet property damages that may be sustained by homeowners or owners of usufruct rights because of losses or damages of buildings due to an earthquake event that may occur. The Pool is directed by the "Board of Directors of the Turkish Catastrophe Insurance Pool", comprising of seven members appointed by the Undersecretariat of the Treasury, Ministry of Public Works and Settlement, Association of the Insurance and Reinsurance Companies of Turkey, Middle East Technical University, Capital Markets Board and also the Pool Management Company.

The Pool started selling policies on 27 September 2000.

The performance of the Pool’s activities was given over to Garanti Sigorta A.Ş. in the capacity of the "Pool Management Company" for a period of 5 years as of 8 August 2005 by the Undersecretariat of the Treasury. The transfer contract was entered into for a period of five years, which can be renewed in the same manner. The Pool Management Company provides services for the performance of daily operations including IT operations, claims procedures, as well as operations of reinsurance, marketing and fund management.

The Pool and revenues thereof are exempt from any and all taxes, duties and fees.

The Pool is not subject to Public Accounting Law 1050, Law 3346 concerning the Arrangement on the Supervision of Public Economic Enterprises and Funds by the Turkish Assembly, and the Audit Court Law 832, and State Tender Act 2886 and Law 6245 on Allowances Act.

The insurance Premium receivables of the Pool are collected in accordance with the provisions of the Law nr. 6183 on the Procedures for the Collection of Public Receivables.

The annual accounts, transactions and expenditures of the pool are audited by the Undersecretariat of the Treasury.

The Pool’s financial statements were approved by the Board on 10 June 2008.

3.1.5.2 NOTE 2 – PRINCIPLES ON SUBMISSION OF FINANCIAL STATEMENTS

The financial statements of the Pool ended on 31 December 2007 were drawn up in compliance with the International Financial Reporting Standards ("IFRS") which also contain remarks released by the International Accounting Standards ("IAS") which is valid as of the foregoing date.

**TURKISH CATASTROPHE INSURANCE POOL
EXPLANATORY FOOTNOTES PERTAINING TO THE
FINANCIAL STATEMENTS PREPARED AS OF 31 DECEMBER 2007**

(Sums are indicated in New Turkish Liras ("TRY") unless otherwise stated.)

The Pool arranges accounting books and statutory financial statements in New Turkish Liras in accordance with the Decree Law no. 587 to which it is subject. These financial statements were arranged by reflecting adjustments and classifications on legal books and accounts for the purpose of performing the proper presentation as per IFRS.

Accounting of inflationary effects

Adjustments made due to changes in the purchasing power of TRY prior to 1 January 2006 were performed on the basis of the IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date and comparative figures for prior period(s) should be restated into the same current measuring unit. The Turkish Catastrophe Insurance Pool ended the IAS 29 application as of 1 January 2006 as changes observed in the Turkish economy pointed to a halt of the hyperinflationary environment. Accordingly, amounts of 31 December 2005, denominated in the purchasing capacity of a New Turkish Lira current on the same date form a ground for carrying values in the accompanying financial statements.

Standards, comments and updates that became operative in 2007

New disclosures about financial instruments were made obligatory upon new amendments under IFRS 7, "Financial Instruments: disclosures and footnotes" and IAS 1, "Presentation of Financial Statements", becoming effective in 2007, and this Standard did not have any effect on the classification and evaluation of the financial instruments of the Pool.

IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" clarifies issues concerning the implementation of provisions of IAS 29 during a reporting period where the enterprise identifies the existence of hyperinflation in the functional currency in the non-hyperinflationary economy in the prior period and thus the enterprise would restate its financial statements as per IAS 29. This interpretation does not have any effect on the enterprise's financial statements.

IFRC 10 "Interim Financial Reporting and Impairment", an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation does not have any effect on the enterprise's financial statements.

Standards, amendments and interpretations effective in 2007, but not in relation to the activities of the Pool

The following interpretations are not in relation to the activities of the Pool, although they are effective as from 1 January 2007:

- IFRIC 8, "Scope of IFRS 2, Share-based payments" and
- IFRIC 9, "Reassessment of Embedded Derivatives".

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Standards, amendments and interpretations which have not become operative yet and not been applied prior to its validity date by the Pool

IAS 1 (revised September 1997) effective for annual periods beginning on or after 1 January 2009 "Presentation of Financial Statements", provides the presentation of significant amendments in revised standards, definition of a new set of financial statements, reporting of equity-holder changes in equity with income and expenses generated and other income and expenses generated, adjustments in classification and tax-related effects and dividends. The Pool shall apply the revised IAS 1 on 1 January 2009 and it is stipulated that the revised Standard shall not have any restricted impact on the presentation of the financial statements of the Pool.

Standards, amendments and interpretations not effective yet and not in relation to the activities of the Pool

IFRIC 11, "IFRS 2 – Group or treasury share transactions", becomes effective for annual reports on or after 1 March 2007. It is not expected that this interpretation will have an effect on the financial statements of the Pool.

IFRIC 12, "Service concession arrangements", becomes effective for annual reports on or after 1 January 2008. It is not expected that this interpretation can be applied by the Pool.

IFRIC 13, "Customer loyalty programs", becomes effective for annual reports on or after 1 July 2008. It is not expected that this interpretation can be applied by the Pool.

IAS 23 (revised), amendments which were made on "Borrowing Costs" and will become effective as from 1 January 2009 requires capitalization, as part of relevant assets, of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for use or sale. Thus, this revision will remove the option of association of the said costs directly with the income statement. It is not expected that this amendment can be applied by the Pool.

IAS 14 is replaced by the "Segment Reporting" Standard and IFRS 8 "Operating Segments" which shall be operative as of 1 January 2009 makes relevant segment reporting requirements in line with SFAS 131 "Disclosures about Segments of an Enterprise and Related Information" under U.S. "Generally Accepted Accounting Standards". IFRS 8 mandates "management approach" which requires the management reporting of segment data parallel to its purposes. It is not expected that the new standard can be applied by the Pool.

IFRIC 14, IAS 19 – "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" which shall be operative as of 1 January 2008, clarifies the determination of the limit of the assets which can be recorded within the scope of IAS 19. In addition, this interpretation explains how the assets and liabilities related to the retirement plan is affected by the legal or contractual minimum funding requirements. It is not expected that this interpretation can be applied by the Pool.

Comparative Data

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Comparative details were classified in accordance with changes in the current year so as to make the same in conformity with the presentation of the current year's financial statements.

3.1.5.3 NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial tables according to UFRS requires use of some significant accounting estimates. Moreover, the management should take some important decisions while designating the accounting policies of the Pool. The relevant accounting policies clarify significant assumptions accepted and estimations made during the preparation of financial statements and also complicated matters about which the management should use more initiatives.

Below are basic accounting policies applied in preparation of financial statements. Unless otherwise stated, these policies were applied consistently for the years submitted.

Premium Income / Commission expenditures

The Premium income is accounted by daily accrual of earthquake policy premiums written during the year. The deferred instalments of the Premium income are taken as unearned premium reserves per each policy and on a pro-rata basis. Non-accrued commission expenditures corresponding to the unearned instalments of such premiums are deferred in the same manner.

Reinsurance expenditures

Reinsurance agreements which the Pool enters into with reinsurance companies and which provides an indemnity protection against losses related to one or more policies and can be classified as insurance contracts are regarded as reinsurance contracts. The Pool enters into accounts reinsurance expenditures including premiums of the excess of loss reinsurance agreements on an accrual basis.

The excess of loss reinsurance contracts are renewed every year and involve a period of 12 months from November of the previous year to October of the current year. Reinsurance expenditures which accrue during the current year therefore involve 10 months' portion of the reinsurance agreement ending on October 2007 and 2 months' portion of the said agreement ending on October 2008. Reinsurance expenditures entered into accounts in the current year contain intermediary fees accrued and paid to the broker companies in addition to the adjustment premiums which accrue in accordance with the relevant reinsurance agreements.

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Claims

Claims are entered into accounts on the basis of amounts reported during the period of occurrence of such losses. Reserves for outstanding losses were allocated as the total costs of all of non-paid liabilities related to the claims incurred as of the end of the period.

Tangible assets

The tangible assets are expressed by deducting accumulated amortisation from the acquisitions costs denominated in the purchasing capacity of TRY on 31 December 2005. It is calculated on a straight-line depreciation basis estimated over the useful lives of the restatement values of the assets. The approximate useful lives of the tangible fixed assets are as follows:

Inventories 5 years

If the quoted value of an asset is higher than the estimated recoverable value of the relevant asset, the quoted value of the said asset is reduced to its recoverable value. Profit or loss generated as a result of disposal of the tangible assets is determined by comparison of the quoted value and collected amounts and added into the calculation of the increased fund reserves.

Expenses for repair and maintenance are entered into the accounts in the income statement of the period of such accrual. However, investment expenditures which increase the profit that may be obtained from the expansion of the capacity of the tangible assets are included in the cost of such tangible assets.

Financial Assets

The Pool categorizes its financial assets into "available-for-sale financial assets" and "loans and receivables": The classification of the financial assets is determined at dates of acquisition in consideration of purposes of purchase of the relevant assets on the part of the management of the Pool, and reviewed during the reporting period.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives which are held for sale or cannot be classified under other categories. Financial assets that may be sold in accordance with liquidity needs or due to changes in interest rates, currency rates or stock prices or held for an undefined period are classified as available-for-sale financial assets.

b) Loans and receivables

Loans and receivables are non-derivate financial assets which the Pool does not classify as financial assets which the Pool does not intend to sell in the short-term or whose fair value variations are associated with the income statement, or consider as available-for-sale financial assets, which have fixed or pre-determined payments and are not listed on an active market. Receivables incurred in insurance

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contracts are classified under this category and possible diminutions in value pertaining to such receivables are reviewed as part of the examination of diminutions in value of loans and receivables.

Financial assets are entered into records first with their fair values. Available-for-sale financial assets are accounted for with their fair values calculated on the basis of market prices prevailing at the following periods. Loans and receivables are carried forward after the "effective rate of interest" method is used and diminutions in value are subtracted from discounted sums.

Non-accrued profits and losses resulting from changes in fair values of available-for-sale assets are monitored under the account of fair value funds in net assets. When the said financial assets are disposed of, or diminutions in value occur, differences of accumulated fair values indicated in net assets are represented in the income statement. Interests calculated over available-for-sale financial assets through the "effective rate of interest" method shall be indicated in the income statement.

Foreign currency translation

Currency transactions made during the period were translated into New Turkish Liras over the foreign currencies prevailing during the dates of transactions. Foreign currency-based monetary assets and liabilities were translated over the foreign currency rates prevailing at the end of the period. Gains or losses on exchange arising out of the translation of the foreign currency-based assets and liabilities are reflected in the income statement.

Loans

Loans are first accounted for over fair values less transaction costs. They are evaluated with their discounted sums at the following periods and the difference found between the amount calculated after transaction costs of loans obtained are subtracted, and its value generated through the "effective rate of interest" at the date of the balance sheet is reflected in the income statement.

Fair values of financial assets

The fair value is the price at which financial assets and liabilities are exchanged during a current transaction that may be executed between the willing parties except in a compulsory sell-off or winding-up process and is determined in the best way at a price which is traded at in an organized market if any.

The Pool has determined the fair value estimates of its financial instruments by using the existing information about the current market and appropriate valuation methods to an extent that it could obtain appropriate and reliable data from financial markets in Turkey. However, the estimation of the fair value requires discretion in interpretation of the market data. Consequently, estimates presented herein may not be an indicator of the values the company can produce in a current market transaction.

The following methods and assumptions are used in the estimation of the fair value of the financial assets and liabilities whose fair values can be determined:

Financial Assets

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The fair value of the balances denominated in foreign currencies converted by year-end exchange rates is considered to be close to its quoted values.

It is submitted that, in addition to interest accruals, quoted values of financial assets including liquid assets indicated over costs are in convergence with their fair values.

The fair value of the available-for-sale financial assets is based on the relevant market values.

It is assumed that the quoted values of premium receivables are close to their fair values as they are short-termed.

Financial Liabilities

Estimated fair values of loans identified for a further explanation under footnotes are values of contractual cash flows with discounted interest rates applied on similar loans in the market.

3.1.5.4 NOTE 4 – INSURANCE AND FINANCIAL RISK MANAGEMENT

The Pool arranges contracts for insurance risks (insurance policies). This section summarizes risks related to such contracts and explains how these risks are managed by the Pool.

Insurance risk

The risk pertaining to insurance contracts is the probability of occurrence of the insured event and unforeseen amounts of losses that may arise out of such events. By the very nature of insurance contracts, the said risk is incidental and thus such risks cannot be totally foreseen.

In a policy portfolio where a probability theory is applied in the methods of pricing and allocation of reserves, the main risk to which the Pool is exposed in respect of insurance contracts is loss and indemnity payments accrued over the quoted values of insurance reserves. The pool management is of the opinion that outstanding loss reserves allocated as at the end of the year are sufficient.

The Pool provides earthquake coverage for constructions built as dwellings. The Pool's ability to pay is limited to the accumulated funds it holds and also protection it obtains through reinsurance markets. Catastrophe risk models are considered in the determination of maximum limits and priorities concerning the reinsurance protection. The relevant limits are followed according to the cumulative developments per regions. Amounts of premiums are calculated according to tariff rates specified on the basis of earthquake zones and types of construction. The maximum coverage which may be provided for a dwelling within the scope of a Compulsory Earthquake Insurance scheme is TRY 110,000 regardless of its type of construction. Moreover, the minimum amount of the payable premium is TRY 30 irrespective of its earthquake zone and type of construction.

The Pool manages the said risks through its own underwriting strategy and reinsurance protection that it obtains by the excess-of-loss reinsurance contract to which it is a party.

The distribution of the insurance risk (maximum insured sum) is summarized as below:

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	2007	2006
Region of Istanbul	39,656,312,240	35,543,241,580
Other regions	85,213,273,415	73,948,514,725
	124,869,585,655	109,491,756,305

The breakdown of the insurance risk into geographical risk zones in Turkey is summarized below and the highest EQ risk zone is Zone 1:

	2007	2006
Zone 1	58,616,543,750	52,744,298,645
Zone 2	32,749,263,110	28,611,013,195
Zone 3	12,026,434,870	10,213,935,380
Zone 4	20,565,907,250	17,168,215,710
Zone 5	911,436,675	754,293,375
	124,869,585,655	109,491,756,305

Financial risk factors

The Pool is exposed to financial risks because of its financial assets, financial liabilities (loans) and insurance liabilities. Briefly, the main financial risk occurs when/if income generated from financial assets is insufficient to meet contractual liabilities other than when protected under a reinsurance contract. The most significant components of the financial risk (which include interest rate risks and exchange rate risks) are credit risks and liquidity risks. The general risk management program of the Pool focuses on the instability of financial markets and mitigation of probable negative effects of such instability on the Pool's financial performance. The risk management is performed by the Pool Management Company in accordance with procedures assigned by legal arrangements and approved by the Board. The Board concentrates first on the liquidity and capital security, and then on the profitability rates while assessing investments. The Pool does not exploit derivative financial instruments for the purpose of protection against risks.

(a) Market risk

i. Interest rate risk

The Pool is exposed to an interest rate risk which arises out of the impact of the changes in interest rates to which financial assets and liabilities with variable interest rates are subject. The said interest rate risk is managed by natural measures by balancing the assets and liabilities which have interest rate sensitivity.

Available-for-sale financial assets with variable interest rates make the Pool become exposed to interest rate risks. Net assets would be higher/lower by TRY 3,697 (31 December 2006: TRY 166,840) as a result

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of higher/lower interest income arising from financial assets with variable interest rates if the market interest rate applied in financial assets with variable interest prevailing on 31 December 2007 was 1% higher/lower and all other variables remained fixed.

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

Financial assets is categorized into remaining time for re-pricing as of the date of the balance sheet.

31 December 2007 < 3 months	3 months -			Non-interest-sensitive	Total
	1 year	1-5 years	5 years >		
Available-for-sale financial assets	944,904	-	-	101,013,096	101,958,000

31 December 2006 < 3 months	3 months -			Non-interest-sensitive	Total
	1 year	1-5 years	5 years >		
Available-for-sale financial assets	29,186,002	1,618,163	-	61,255,599	92,059,764

ii. Exchange risk

The Pool is exposed to exchange risks arising out of changes in Exchange rates due to the translation of receivables and liabilities in foreign currencies, into New Turkish Liras. Such risks are monitored and limited by an analysis of the foreign exchange position (Note 20).

The Pool is mostly exposed to risks of exchange rates in Euro and USD. In this connection, the Exchange rate analysis associated with these foreign currencies is as follows:

Net assets would be higher/lower by TRY 2,915,001 (31 December 2006: TRY 5,700,098) as a result of the profit/loss of the difference of exchange rates incurred because of translation of receivables and liabilities in Euro if Euro had appreciation/depreciation of 10% against TRY as at 31 December 2007 and if all variables remained fixed.

Net assets would be lower/higher by TRY 5,873,934 (31 December 2006: TRY 7,415,023) as a result of the loss/profit of the difference of exchange rates incurred because of translation of receivables and liabilities in USD if USD had appreciation/depreciation of 10% against TRY as at 31 December 2007 and if all variables remained fixed.

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b) Credit risks

The ownership of financial assets has a risk of an opposing party's non-fulfilment of contractual conditions or improper payment of liabilities in due time. The Pool's credit risk arises out risks of bank deposits, financial assets, premium receivables from insurance companies and reinsurance shares under its insurance obligations.

The analysis made on assets with credit risks by the independent rating organizations - Standard & Poors ("S&P"), Moody's and Fitch – is indicated in the following tables:

i. Bank deposits

S&P	2007			2006		
	TRY	Foreign currency	Total	TRY	Foreign currency	Total
B	326,464,846	5,658,032	332,122,878	200,348,494	6,436,919	206,785,413
Not Rated	203,719,625	43,471,292	247,190,917	136,908,271	63,555,421	200,463,692
	530,184,471	49,129,324	579,313,795	337,256,765	69,992,340	407,249,105

Moody's	2007			2006		
	TRY	Foreign currency	Total	TRY	Foreign currency	Total
P2	500,846,103	-	500,846,103	282,814,075	-	282,814,075
NP	-	13,009,735	13,009,735	-	8,203,462	8,203,462
Not Rated	29,338,368	36,119,589	65,457,957	54,442,690	61,788,878	116,231,568
	530,184,471	49,129,324	579,313,795	337,256,765	69,992,340	407,249,105

Fitch	2007			2006		
	TRY	Foreign currency	Total	TRY	Foreign currency	Total
F3	398,610,499	-	398,610,499	-	-	-
B	131,573,972	49,129,324	180,703,296	337,256,765	69,992,340	407,249,105
	530,184,471	49,129,324	579,313,795	337,256,765	69,992,340	407,249,105

ii. Available-for-sale financial assets

2007		S&P	Moody's	Fitch
Short-term-TRY	91,277,845	B	-	-
Long-term-TRY	10,678,970	BB	Ba3	BB
Short-term – Foreign currency	1,185	B	-	B
	101,958,000			

2006		S&P	Moody's	Fitch
Short-term-TRY	43,293,924	B	-	-
Long-term-TRY	39,009,976	BB	Ba3	BB-
Short-term – Foreign Currency	5,682,546	B	-	B
Long-term – Foreign Currency	4,073,318	BB-	Ba3	BB-
	92,059,764			

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iii. Premium receivables

	2007	2006
Premium receivables from insurance companies	18,593,469	15,522,849

The Pool has premium receivables from insurance companies who are subject to special arrangements, concerning capital requirements (adequacy), of the Undersecretariat of the Treasury which has activities in Turkey and is the most important regulatory agency in operational and financial terms.

The Pool has overdue receivables as at the end of 31 December 2007. The Pool management does not expect any losses which may arise from insurance companies' non-performance of liabilities as all receivables were collected in due time during the reporting period.

iv. Reinsurance shares in insurance liabilities

The Pool has an excess-of-loss reinsurance contract which it enters into together Willis Limited so as to transfer insurance risks in its EQ insurance portfolio. Willis Limited is a Lloyd registered broker company in London, which is authorized by the Financial Services Authority - an official regulatory institution of all companies that give financial services in Great Britain - and runs activities under the surveillance of this Authority. The sums of reinsurance protection provided for the Pool by Willis Limited under excess-of-loss reinsurance contracts, effective 31 December 2007 and 2006, are as follows:

Reinsurance protection limits	In EUR		In TRY	
	2007	2006	2007	2006
Bottom limit	100,000,000	80,000,000	171,020,000	148,120,000
Top limit	1,250,000,000	1,000,000,000	2,137,750,000	1,851,500,000
Max. protection purchased	1,150,000,000	920,000,000	1,966,730,000	1,703,380,000

The analysis on Willis Limited's credibility according to ratings made by independent rating organizations for 31 December 2007 and 2006 is as follows:

As at the end of 31 December 2007 and 2006	S&P	Moody's	Fitch
Willis Limited	BBB	Baa2	BBB

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(c) Liquidity risk

The Pool uses its available cash sources so as to meet its obligations arising out of insurance contracts. A liquidity risk is a risk where no sufficient cash is available for the payment of liabilities at reasonable costs. The management specifies limits in relation of available funds which will be adequate for the payment of the said liabilities. Cash outflows arising out of credit back-payments are managed in consideration of cash inflows provided from operations and not reserved for payments of other liabilities. Thus, it would be possible to ensure payment of liabilities by cash inflows provided by operations and high-quality credibility at adequate sums.

The Pool's financial assets and liabilities are distributed into contractual terms, or terms remaining until due dates as at the date of the balance sheet are as below:

Contractual or expected cash flows						
31 December 2007	<3 months	3 months 1 year	1 year 5 years	5 years >	Current	Total
Assets						
Cash and subordinated assets	567,552,049	11,741,185	-	-	20,561	579,313,795
Available-for-sale financial assets	3,692,600	87,586,430	10,678,970	-	-	101,958,000
Premium Receivables	18,593,469	-	-	-	-	18,593,469
Other Assets	17,531,644	33,529,014	-	-	-	51,060,658
	607,369,762	132,856,629	10,678,970	-	20,561	750,925,922
Liabilities						
Loans	-	10,408,062	52,404,187	7,233,019	-	70,045,268
Other short-term liabilities	33,025,917	28,926,195	-	-	-	61,952,112
Reserves for outstanding losses	203,616	-	326,108	-	-	529,724
	33,229,533	39,334,257	52,730,295	7,233,019	-	132,527,104

Contractual or expected cash flows						
31 December 2006	< 3 months	3 months- 1 year	1 year 5 years	5 years >	Current	Total
Assets						
Cash and Subordinated assets	407,248,291	-	-	-	814	407,249,105
Available-for-sale financial assets	21,358,668	27,617,802	42,238,153	845,141	-	92,059,764
Premium Receivables	15,522,849	-	-	-	-	15,522,849
Other Assets	18,247,790	34,959,306	-	-	-	53,207,096
	462,377,598	62,577,108	42,238,153	845,141	814	568,038,814

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Liabilities

Loans	-	10,089,390	63,576,308	17,513,038	-	91,178,736
Other short-term liabilities	29,840,992	30,350,482	-	-	-	60,191,474
Reserves for outstanding losses	72,000	-	219,511	-	-	291,511
	29,912,992	40,439,872	63,795,819	17,513,038	-	151,661,721

Fund reserves' risk management

In management of the fund reserves, the Pool aims to maintain its ability to pay losses and credit and interest payments and increase the fund accumulation for the continuity of the adequate financial strength needed for the fulfilment of its obligations other than when under reinsurance protection related to the policies issued by the Pool.

3.1.5.5 NOTE 5 – LIQUID ASSETS

	2007	2006
Bank deposits	579,313,795	407,249,105
	579,313,795	407,249,105

Bank deposits are detailed below:

Foreign currency bank deposits		
- demand deposits	19,332	814
- time deposits	49,109,992	69,991,526
TRY bank deposits		
- demand deposits	1,229	-
- time deposits	530,183,242	337,256,765
	529,313,795	407,249,105

Details of time deposit accounts denominated in foreign currency are listed below:

	<u>In Foreign Currency</u>		<u>In TRY</u>	
	2007	2006	2007	2006
USD	9,713,304	5,835,695	11,313,085	8,202,653
EUR	22,100,869	33,372,332	37,796,907	61,788,873
			49,109,907	69,991,526

The due dates of time deposits are less than one year and annual interest rates are as below:

	<u>Annual interest rate (%)</u>	
	2007	2006
TRY	18.31	21.29
USD	5.62	5.75
EUR	5.07	4.00

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Details of demand deposit accounts denominated in foreign currency are listed below:

	In Foreign Currency		In TRY	
	2007	2006	2007	2006
EUR	5,175	-	8,850	-
USD	9,000	579	10,482	814
			19,332	814

Liquid assets shown in cash flow statements are as below:

	2007	2006
Liquid Assets	579,313,795	407,249,105
Minus: Interest Accrual	(7,501,893)	(6,361,079)
	571,811,902	400,888,026

3.1.5.6 NOTE 6 – FINANCIAL ASSETS

Available-for-sale financial assets

	2007	2006
Government papers and treasury bonds	98,264,215	79,808,504
Reverse repo transactions	3,685,473	2,495,396
Investment funds	7,127	-
Eurobond	1,185	9,755,864
	101,958,000	92,059,764

Interest rates of available-for-sale financial assets are as below:

	2007(%)	2006(%)
Government papers and treasury bonds	16.66	17.57
Reverse repo transactions	15.24	17.75
Eurobond	7.08	4.72

The portion amounting to TRY 944,904 (31 December 2006: TRY 30,804,165) of securities is with variable interest.

The due-date analysis of the financial assets is indicated in the following table:

2007	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Government papers and treasury bonds	-	-	11,449,636	76,135,609	10,678,970	-	98,264,215
Reverso repo transactions	3,685,473	-	-	-	-	-	3,685,473
Eurobond	-	-	-	1,185	-	-	1,185
Investment funds	7,127	-	-	-	-	-	7,127
	3,692,600	-	11,449,636	76,136,794	10,678,970	-	101,958,000

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2006	< 1 month	1-3 months	3-6 months	6-12 months	1-5 years	> 5 years	Total
Government papers and treasury bonds	13,089,289	5,476,206	16,570,409	5,662,624	39,009,976	-	79,808,504
Reverse repo transactions	2,495,396	-	-	-	-	-	2,495,396
Eurobond	-	297,777	-	5,384,769	3,228,177	845,141	9,755,864
	15,584,685	5,773,983	16,570,409	11,047,393	42,238,153	845,141	92,059,764

3.1.5.7 NOTE 7 – PREMIUM RECEIVABLES

	2007	2006
Premium receivables from insurance companies	18,593,469	15,522,849
	18,593,469	15,522,849

The Pool's premium receivables are with due dates for 1 month (31 December 2006: 1 month). The Pool does not have receivables subject to diminution in value or overdue as at 31 December 2007 and 2006.

Securities pledged for receivables are as below:

	2007	2006
Nakit	-	70,280
	-	70,280

3.1.5.8 NOTE 8 – OTHER ASSETS

	2007(%)	2006(%)
Reinsurance premiums of the following year (*)	43,389,292	45,525,723
Paid excess-of-loss premiums and broker fees	7,671,366	7,681,373
	51,060,658	53,207,096

(*) The reinsurance premiums of the following year cover expenditures incurred for the reinsurance protection purchased for the following period within the reinsurance agreement in force (Note 11).

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3.1.5.9 NOTE 9 – TANGIBLE ASSETS

	1 January 2007	In	Out	31 December 2007
Cost				
Inventories	6,874,497	510,953	-	7,385,450
	6,874,497	510,953	-	7,385,450
Accumulated depreciation				
Inventories	(5,551,665)	(735,220)	-	(6,286,885)
	(5,551,665)	(735,220)	-	(6,286,885)
	1,322,832			1,098,565

	1 January 2006	In	Out	31 December 2006
Cost				
Inventories	6,076,475	798,022	-	6,874,497
	6,076,475	798,022	-	6,874,497
Accumulated depreciation				
Inventories	(4,287,026)	(1,264,639)	-	(5,551,665)
	(4,287,026)	(1,264,639)	-	(5,551,665)
	1,789,449			1,322,832

3.1.5.10 NOTE 10 – LOANS

The Pool obtained long-term loans for an amount of USD 57,690,204 (not including interest accruals) (31 December 2006: USD 64,137,408) from the World Bank as at the end of 31 December 2007, via the Undersecretariat of the Turkish Treasury) with a view to meet losses of a probable EQ event in the future.

	2007(%)	2006(%)
Short-term instalments of long-term loans	7,554,574	9,062,196
Interest and expense accruals	2,853,488	1,027,194
	10,408,062	10,089,390
Long-term borrowings	59,637,206	81,089,346
	70,045,268	91,178,736

Interests on long-term borrowings denominated in USD as of 31 December 2007 range from 4.22% to 6.25%. (31 December 2006: 4.22% – 6.25%). Principal and interest payments for long-term borrowings are made in April and October twice a year.

Loans used by the Pool are not with variable interest.

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The payment schedule for the long-term borrowings is as follows:

	2007(%)	2006(%)
2008	-	9,117,118
2009	9,234,460	11,144,462
2010	14,785,060	17,843,119
2011	13,220,334	15,954,754
2012	7,885,800	9,516,855
2013	7,278,533	8,783,983
2014	7,233,019	8,729,055
	59,637,206	81,089,346

It is agreed that, in consideration of terms of loans obtained from the World Bank, fair values of loans are in convergence to quoted values thereof as of 31 December 2007 and 2006.

31 December 2007	Quoted value	Fair value
Sums of USD loans in TRY	70,045,268	70,045,268

31 December 2006	Quoted value	Fair value
Sums of USD loans in TRY	91,178,736	91,178,736

3.1.5.11 NOTE 11 – OTHER SHORT-TERM LIABILITIES

	2007(%)	2006(%)
Reinsurance premiums of the following year (*)	43,389,292	45,525,723
Reinsurance debit accruals	16,302,908	13,400,088
Operating fees payable for the Pool Management Company	288,780	252,894
Other	1,971,132	1,012,769
	61,952,112	60,191,474

(*) The reinsurance premiums of the following year cover expenditures incurred for the reinsurance protection purchased for the following period within the reinsurance agreement in force (Note 8).

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3.1.5.12 NOTE 12 – INSURANCE RESERVES

3.1.5.12.1 Insurance reserves

	2007(%)	2006(%)
Unearned premium reserves	115,830,090	100,585,778
Reserves for outstanding losses	529,724	291,511
	116,359,814	100,877,289

3.1.5.12.2 Table of transactions for insurance reserves

a) Unearned premium reserves

	2007(%)	2006(%)
Beginning of the period	100,585,778	79,462,906
Premiums written during the year	234,600,016	205,815,940
Premiums earned during the year	(219,355,704)	(184,693,068)
End of the period	115,830,090	100,585,778

b) Reserves for outstanding losses

	2007(%)	2006(%)
Beginning of the period	291,511	693,235
Outstanding claim files opened during the year (*)	269,116	137,020
Decreases in reserves (**)	(30,903)	(538,744)
End of the period	529,724	291,511

(*) Amounts represent the unpaid portion of the claim files opened during the year as of the year-end.

(**) Decreases in reserves comprise of paid losses during the year for outstanding losses at the beginning of the period and claim files closed with any relevant payment.

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3.1.5.13 NOTE 13 – OTHER LONG-TERM LIABILITIES

	2007	2006
Deposits and securities received	-	70,280
	-	70,280

3.1.5.14 NOTE 14 – PREMIUM INCOME

	2007	2006
Premiums Received	234,600,016	205,815,940
Unearned premium reserves	(115,830,090)	(100,585,778)
Unearned premium reserves carried forward	100,585,778	79,462,906
	219,355,704	184,693,068

3.1.5.15 NOTE 15 – CLAIMS

	2007	2006
Paid Losses	1,353,138	4,317,909
Reserves for outstanding losses	529,724	291,511
Outstanding loss reserves carried forward	(291,511)	(693,235)
	1,591,351	3,916,185

3.1.5.16 NOTE 16 – COMMISSION EXPENDITURES

	2007	2006
Expenditures incurred for commissions paid to insurance companies	39,962,954	34,077,671
Deferred commission expenditures	(19,507,181)	(16,541,935)
Deferred commission expenditures carried forward	16,541,935	12,495,595
Operating fees paid to the Pool Management Company	3,210,560	2,819,097
	40,208,268	32,850,428

3.1.5.17 NOTE 17 – OVERHEAD EXPENSES

	2007	2006
Depreciation expenses (Note 9)	735,220	1,264,639
Advertising expenses	708,909	545,088
IT maintenance expenses	451,163	555,451
Stationery expenses	169,573	200,643
Personnel expenses	163,748	157,906
Fund Management expenses	5,623	94,455
Other	183,476	136,318
	2,417,712	2,954,500

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3.1.5.18 NOTE 18 – FINANCIAL INCOME

	2007	2006
Interest income	76,975,456	44,680,784
Income on Securities	11,868,383	13,611,296
Foreign Exchange Gains	18,019,370	26,837,947
	106,863,209	85,130,027

3.1.5.19 NOTE 19 – FINANCIAL EXPENSES

	2007	2006
Expenditures on Interests	5,978,059	5,010,898
Exchange losses	8,964,231	20,463,757
	14,942,290	25,474,655

3.1.5.20 NOTE 20 – FOREIGN CURRENCY POSITIONS

	2007	2006
Assets	100,191,168	132,955,298
Liabilities	(129,780,500)	(150,104,547)
	(29,589,332)	(17,149,249)

	2007		
	Foreign Currency Amount	Foreign Currency Rate	Amount TRY
Liquid Assets			
USD	9,722,304	1.1647	11,323,567
EUR	22,106,044	1.7102	37,805,757
			49,129,324
Available-for-sale assets			
USD	1,018	1.1647	1,186
			1,186
Other assets			
EUR	29,856,542	1.7102	51,060,658
			51,060,658
Short-term instalments of long-term loans			
USD	8,936,260	1.1647	10,408,062
			10,408,062

Other short-term liabilities

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EUR	34,917,789	1.7102	59,716,403
USD	16,166	1.1647	18,829
			59,735,232

Long-term borrowings

USD	51,203,921	1.1647	59,637,206
			59,637,206

	2006		
	Foreign Currency Amount	Foreign Currency Rate	Amount TRY
Liquid Assets			
USD	5,836,274	1.4056	8,203,467
EUR	33,372,332	1.8515	61,788,873
			69,992,340

Available-for-sale assets

USD	6,278,487	1.4056	8,825,041
EUR	502,739	1.8515	930,821
			9,755,862

Other assets

EUR	28,737,292	1.8515	53,207,096
			53,207,096

Short-term instalments of long-term loans

USD	7,177,995	1.4056	10,089,390
			10,089,390

Other short-term liabilities

EUR	31,825,985	1.8515	58,925,811
			58,925,811

Long-term borrowings

USD	57,690,201	1.4056	81,089,346
			81,089,346

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3.1.5.21 NOTE 21 – EVENTS FOLLOWING THE DATE OF THE ANNUAL REPORT

The following issues were amended as per the Amendments on the Tariff Rates and Instructions of the Compulsory Earthquake Insurance scheme as promulgated in the Official Gazette numbered 26807 and dated 5 March 2008 following the date of the annual report.

- a) The maximum coverage which may be provided for a dwelling within the scope of a Compulsory Earthquake Insurance scheme is increased from TRY 110,000 to TRY 120,000 regardless of its type of construction:
- b) In the applicable tariff, the insured sum per square meter was increased from TRY 450 to TRY 490 for steel and reinforced concrete carcass constructions, from TRY 320 to TRY 350 for constructions built of piled stones and from TRY 170 to TRY 185 for other constructions.

3.1.5.22 NOTE 22 – RESERVES AND CONTINGENT LIABILITIES

The total risk of cases which were initiated against the Pool and are still pending as of 31 December 2007 is TRY 326,108 (2006: 219,511 TRY) Provisions reserved for the probable risks that may occur upon settlement of the relevant cases are indicated as reserves for outstanding losses and damages.