

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION OF STATUTORY
FINANCIAL STATEMENTS AT 31 DECEMBER 2005
TOGETHER WITH NOTES TO FINANCIAL STATEMENTS
AND THE INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

YAPI KREDİ SİGORTA A.Ş.

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

1- **Nature of operations:** Yapı Kredi Sigorta A.Ş. ("the Company") was established on 24 December 1943. The Company's headquarters and the central office are located in Istanbul, at "Yapı Kredi Plaza A Blok Büyükdere Cad. 34330 Levent-İstanbul". The Company operates in fire, marine, accident, personal accident, engineering, agriculture and health branches. The Company's regional offices are named as "Central Anatolia", "Marmara", "South", "Aegean" and "Mediterranean".

2- **Shareholders with a nominal share of 10% or more of capital:**

Name	31 December 2005	
	<u>Shareholding percentage (%)</u>	<u>Shareholding amount</u>
Yapı ve Kredi Bankası A.Ş.	%53.10	42.480.000 YTL
Public shares	%33.69	26.951.880 YTL
Other	%13.21	10.568.120 YTL
Total	%100.00	80.000.000 YTL

3- **Preference shares and the nature of privileges granted to such shares:** None.

4- **Registered share capital:** 80.000.000 YTL.

5- **Capital increases and sources of capital increases during the year:** None.

6- **Marketable securities issued during the year other than share certificates:** None.

7- **Debt securities issued during the year:** None.

8- **Property and equipment movements in the current period:**

	31 December 2005
a) Cost of property and equipment purchased:	1.621.083 YTL
b) Cost of property and equipment sold or used as scrap:	1.527.677 YTL
c) Revaluation increases in the current period:	-
- Cost of fixed assets (+):	-
- Accumulated depreciation (-):	-
d) Construction-in-progress:	336.330 YTL (*)

(*) Related to the information technology automation project started in July 2005 and planned to be completed in July 2006.

9- **Investment incentives to be utilised in the current and following periods:** None.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

10- Due from/to shareholders, investments, subsidiaries and related parties:

	31 December 2005			
	<u>Due from</u>		<u>Due to</u>	
	Trade	Non-Trade	Trade	Non-Trade
1) Shareholders	-	-	26.694 YTL	41.315 YTL
2) Subsidiaries				
Yapı Kredi Emeklilik A.Ş.	-	-	32.067 YTL	-
3) Investments	-	-	-	-

11- The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons:

11.1 Preparation of financial statements:

Capital Markets Board (“CMB”) Law, Section VII, article 50, paragraph (a), states that insurance companies are required to comply with their own specific laws in their establishment, audit, control accounting and in the presentation of their financial statements. Consequently, accompanying financial statements are prepared in accordance with the Insurance Supervisory Law numbered 7397 and related regulations. The Company prepares its financial statements in accordance with Insurance Supervisory Law and related regulations set out by the Treasury.

The communiqué of the of the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated 30 December 2004, (Insurance Accounting System Communiqué No.1) came into force at 1 January 2005 and effective from 1 January 2005 the Company has prepared its financials in accordance with the Insurance Chart of Accounts indicated in the above mentioned communiqué. In that respect, as indicated in detail in Note 11.10, marketable securities as at 31 December 2005 have been measured and classified differently than in the previous year, in accordance with the Insurance Chart of Accounts.

According to the Statement of the Treasury numbered 23847 and dated 13 May 2005, since the chart of accounts has come into force in 2005, comparative disclosures and the disclosure of the cash flow statement, shareholders’ equity movement schedule and profit distribution table for the year 2005 are not required for the financial statements of the year 2005. Therefore the Company has not presented its balance sheet as of 31 December 2005, its statement of income/(loss) for the period ended 31 December 2005 and accompanying notes to financial statements comparatively.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):

It was announced with the article of the Treasury (No:19387, dated 4 April 2005) that, insurance companies are required to adjust their financial statements as of 31 December 2004 in accordance with the regulations of the Capital Markets Board (“CMB”) Communiqué XI No.25 (published in the Official Gazette No:25290 dated 15 January 2003) in accordance with the requirements of “Financial Reporting in Hyperinflationary Economies”. In line with the decree of the CMB dated 17 March 2005, the Treasury also announced that insurance companies are not required to apply inflation accounting effective from 1 January 2005. Based on the above mentioned article of the Treasury, the Company has restated its financials as of 31 December 2004 in accordance with the regulations regarding “Financial Reporting in Hyperinflationary Economies” as a one time application and has not continued to apply inflation accounting effective from 1 January 2005. The effects of the aforementioned inflation accounting application on the balance sheet as of 31 December 2004 are explained below:

	Reported at 31 December 2004	Restated Balance 31 December 2004
Financial assets	58.170.356	148.520.605
Tangible and intangible assets	42.725.567	33.431.708
Unearned premium reserve	125.561.513	129.223.815
Paid capital	80.000.000	239.500.781
Legal reserves	5.657.111	38.741.193
Revaluation fund	17.545.191	-
Accumulated profit/(loss)	7.520.327	(90.125.257)

11.2 The principles applied in the preparation of inflation-adjusted financial statements:

The restatement for the changes in the general purchasing power of the Turkish lira as of 31 December 2004 is based on the rules of “Financial Reporting in Hyperinflationary Economies” stated in “Accounting Standards in Capital Markets” (communiqué XI, No.25). These principles require that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for prior periods be restated in the same terms.

The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index (“WPI”) published by the State Institute of Statistics (“SIS”). Such indices and conversion factors used to restate the financial statements at 31 December 2004 are given below:

Dates	Indices	Conversion Factors	Cumulative three-year inflation rates (%)	Yearly inflation rate
31 December 2004	8.403,8	1,000	69,7	13,8
31 December 2003	7.382,1	1,138	181,1	13,9
31 December 2002	6.478,8	1,297	227,3	30,8

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):

The main procedures for the above-mentioned restatement are as follows:

- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities, which are not carried at amounts current at the balance sheet date and components of shareholders’ equity, are restated by applying the relevant conversion factors. Fixed assets purchases are restated by applying the conversion factor that belongs to the purchase date.

11.3 Premium income

Premium income represents premiums on policies written during the year, net of cancellations.

11.4 Commissions paid and received

Commissions paid to intermediaries related to the underwriting of insurance policies and commissions received from reinsurers, related to premium cessions, are accounted for on an accrual basis.

11.5 Unearned premiums reserve

As of 31 December 2005, the Company has recorded the unearned premiums reserve (“UPR”) as the unearned portion of the premiums, on a policy and daily basis except for marine branch. For marine policies, UPR is calculated as 50% of the last three months’ premiums after the deduction of commissions. The Company has also applied inflation accounting to unearned premiums reserve as of 31 December 2004 based on the article of the Treasury No:28269 dated 13 May 2005. As of 31 December 2005, the Company has not continued the inflation accounting application for the unearned premiums reserve in line with the article of the Treasury No:19387 dated 4 April 2005.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):**

11.6 Claims provision

Full provision is made for the estimated ultimate cost of settling claims incurred as of the balance sheet date, less amounts already paid in respect of these claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts.

Within the framework of the regulations regarding the change in the regulations on the principles of the establishment and operations of insurance and reinsurance companies issued in the Official Gazette No:25359 dated 27 January 2004, in each accounting period starting from 2004, insurance companies are required to calculate the outstanding claims adequacy ratio on a branch basis and to account for additional claims provision based on these ratios. Within this framework, when the average ratio for the past four years, excluding the current period, is less than 90%, insurance companies are required to account for additional claims provision in the amount of the difference between the adequacy ratio and 90%. The Company has booked an additional provision as of 31 December 2005 amounting to YTL2.257.174 for the branches with an adequacy ratio below 90%.

In each accounting period starting from 2004, insurance companies are required to account for provisions for claims incurred but not reported as at 31 December 2005. The Company based its calculation of IBNR on the past 48 months' data and accounted for an additional claims provision in the amount of YTL10.016.551 as of 31 December 2005.

11.7 Equalization reserve

Within the framework of the amendment on the principles of the establishment and operations of insurance and reinsurance companies dated 6 September 2005 regarding the earthquake provision; one third of retained earthquake premiums during the year in fire and engineering branches are deducted as commissions and expense charges, then 50% of the remaining amount is booked as earthquake provision for 15 years. The provision cannot be less than 6% of the gross earthquake premiums. The provision booked and the net income or expense from the investment of this provision are stated under other technical reserves. The paid claims and indemnities arising from the earthquake coverage are deducted from the earthquake provision. The Company has invested the equalization reserve booked as of 31 December 2004 in foreign currency bank deposits, Eurobond and treasury bills in the current period; and added the gain from these investments amounting to YTL255.384, to the equalization reserve as of 31 December 2005.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):**

11.8 Provision for insurance receivables

In accordance with the Insurance Supervisory Law and the related decrees issued by the Treasury and published in the Official Gazette No:22153 dated 26 December 1994, effective from 1 January 1995, the Company calculates a provision for the total amount of receivables from policyholders and agencies that are overdue for two months.

In line with the Turkish Tax Code article No:323, the Company provides for doubtful premium receivables which are not included in the premium receivable provision, stated above, considering the amount and risk of receivables under legal follow-up.

11.9 Claim recoveries

As of 31 December 2005, in line with the declaration numbered B.02.1.HM.O.SGM.0.3.1.1 of the Treasury, the Company accounts for the claim recoveries from insurance companies and from individuals whom the Company has agreed on payment on accrual basis. The Company records doubtful receivables provision for the claim recovery receivables under legal follow-up.

11.10 Marketable securities

In accordance with the Insurance Chart of Accounts which came in force as of 1 January 2005 with the communiqué regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette No.25686 dated 30 December 2004, the Company classifies its marketable securities in 3 different groups as available-for-sale investments, held to maturity investments and held-for-trading investments. In that respect, interest income accruals and value increase or decreases arising from the revaluation of held-for-trading investments and available-for-sale investments are recorded in the statement of income. Available-for-sale investments are valued at market value. The interest income accruals of these investments are recorded in the statement of income, and the unrealised gains or losses arising from the change in the market values are traced under shareholders' equity "Valuation of Financial Assets". As of 31 December 2004, the Company valued its marketable securities using the straight-line valuation method. When the value of the marketable securities calculated based on the straight-line method is higher than the market values, the arising difference is recorded as diminution in value of marketable securities. The effect of the aforementioned change on marketable securities as of 31 December 2005 resulted in an increase in the marketable securities balance amounting to YTL2.785.240.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

- 11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):**

11.11 Financial assets

The investment securities, subsidiaries and equity investments in the restated financial statements of the Company as of 31 December 2004 have been recorded with their restated values in line with the regulations in “Financial Reporting in Hyperinflationary Economies” stated in “Accounting Standards in Capital Markets” (Communiqué XI, No.25). The restatement has been performed without considering the revaluation fund and foreign exchange gains and losses. The Company records a provision for value decrease when the fair value of the financial asset is less than its restated value.

11.12 Tangible and intangible assets

The tangible and intangible assets of the Company as of 31 December 2004 are disclosed at the restated values calculated by multiplying the historical costs of these items by the relevant conversion factor in line with the regulations in “Financial Reporting in Hyperinflationary Economies” stated in “Accounting Standards in Capital Markets” (Communiqué XI, No.25). Depreciation and amortisation on fixed assets has been calculated based on restated values using the straight-line depreciation method. The Company records a provision for value decrease when the fair values of the tangible or intangible assets are less than their restated values.

The useful lives for the tangible and intangible assets are as follows:

Buildings	50 years
Equipment	10-20 years
Furniture and fixtures	3-10 years
Vehicles	5 years
Leasehold improvements	5 years

For assets acquired before the year 2004, the depreciation rates are 2% and 20%.

11.13 Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women). The amount payable consists of one month’s salary limited to a maximum of YTL1.727,15 for each period of service. The liability of the Company arising from employee termination benefits as of 31 December 2005 has been calculated as YTL7.712.502 and a full provision for this liability has been booked in the financial statements.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):**

11.14 Transactions in foreign currencies

Transactions in foreign currencies during the year are translated into Turkish lira at the exchange rates prevailing at the dates of the transactions. Receivable balances (cash and cash equivalents, banks and marketable securities) denominated in foreign currencies are translated at bid rates declared by the Central Bank of Turkey; and payable balances denominated in foreign currencies are translated at ask rates declared by the Central Bank of Turkey. The foreign exchange valuation differences are recorded to the related exchange gains and losses accounts.

11.15 Tax provision

Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

11.16 Related parties

For the purpose of the accompanying financial statements, Yapı Kredi Group Companies are considered and referred to as related parties.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

- 11) The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and their reasons (Continued):**

11.17 Currency

Through the enactment of the Law No:5083 concerning the “Currency of the Republic of Turkey” in the Official Gazette dated 30 January 2004, the New Turkish lira (“YTL”) and the New Kuruş (“YKr”) have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr. When the prior currency, Turkish lira (“TL”), values are converted into YTL, one million TL (TL1,000,000) shall be equivalent to one YTL (YTL1). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in the keeping and presenting of the books, accounts and financial statements.

11.18 Other balance sheet items

Other balance sheet items are principally stated at their face values.

12- Subsequent events to be disclosed

The gross wage ceiling for employee termination benefits has been increased to YTL1.770,62 effective from 1 January 2006.

- 13- Information on contingent losses and gains:** (The nature of legal conflicts where the Company may incur liabilities are disclosed here.)

31 December 2005

Lawsuits against the Company	13.579.724 YTL
Lawsuits in favour of the Company	14.334.607 YTL
Execution proceedings by the Company	999.567 YTL

The provision amounts for the lawsuits against the Company and for the execution proceedings are accounted for under related technical provisions accounts in the accompanying financial statements.

- 14- Changes in accounting estimates which may have a material effect on the profitability ratios and the monetary value of such effects:** None.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

15- Mortgages or restrictions on assets:

31 December 2005

Marketable securities	34.589.073 YTL
Buildings	25.859.084 YTL

16- Total insurance coverage on assets: YTL57.633.570

17- Total mortgages and collateral obtained for receivables:

31 December 2005

Real estate mortgage	18.966.515 YTL
Letters of guarantee	3.994.050 YTL
Treasury bonds	202.455 YTL
Mortgage guarantee from agencies under legal follow-up	375.405 YTL
Guarantees obtained from companies	130.337 YTL

23.668.762 YTL

The off-balance sheet guarantees obtained for receivables are as follows:

31 December 2005

Credit cards	29.013.648 YTL
Cheques	1.017.710 YTL
Notes	544.985 YTL

30.576.343 YTL

18- Commitments and contingent liabilities not recorded under liabilities:

31 December 2005

Letters of guarantee (domestic)	1.670.878 YTL
Leasing payables	1.429 YTL

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

19- Guarantees to be provided and guarantees provided for life and non-life branches:

	31 December 2005
Accident	24.548.672 YTL
Health	20.414.490 YTL
Fire	8.642.101 YTL
Engineering	2.501.938 YTL
Marine	1.716.400 YTL
Agriculture	108 YTL
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Total Blockage as at 28 February 2005	57.823.709 YTL
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Value increase	2.624.448 YTL
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Total Blockage as at 31 December 2005	60.448.157 YTL

20- Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status: None.

21- Insurance guarantees given for non-life branches:

	31 December 2005
Accident	225.128.179.003 YTL
Fire	25.181.551.646 YTL
Engineering	7.019.806.320 YTL
Marine	4.673.376.665 YTL
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	262.002.913.634 YTL

22- Pension investment funds founded by the Company and the prices: None.

23- Units and amounts of share certificates in portfolio and in circulation: None.

24- Portfolio amounts and number of the private and group pension funds' participants (entered, left, cancelled during the period and the current participants): None.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

25- Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets shown at market value:

Marketable securities:

	31 December 2005	
	Cost	Book Value
Government bonds and treasury bills	93.379.619 YTL	99.747.784 YTL
Eurobonds	5.823.838 YTL	6.334.030 YTL
Investment funds	6.138 YTL	6.189 YTL
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	99.209.595 YTL	106.088.003 YTL

Financial Assets:

The listed financial asset of the Company is stated below and booked as per its fair value in the financial statements.

	31 December 2005	
	Cost	Book Value
T. Sinai Kalkınma Bankası A.Ş.	1.475.140 YTL	121.062 YTL

26- Marketable securities under “Marketable Securities and Investment Securities” account group and issued by the Company’s shareholders, investments or subsidiaries and the issuers: None.

27- Details of “Other” items in the balance sheet which exceed 20% of its account group or 5% of total assets:

	31 December 2005
Other Receivables	
Receivables from compulsory earthquake insurance policies	3.864.191 YTL
Other Payables	
Payables to agencies	2.173.574 YTL
Other Payables from Operations	
Payables to contracted institutions	19.592.223 YTL

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 28- Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None.
- 29- Doubtful receivables from shareholders, subsidiaries and equity investments: None.
- 30- Provision for overdue doubtful receivables and receivables not due yet (the amounts to be disclosed separately):
- a) Provision for receivables under legal follow-up: YTL1.226.448
 - b) Provision for premium receivables: YTL2.217.157
 - c) Provision for insurance and reinsurance receivables: YTL45.163
 - d) Provision for claim recoveries under legal follow-up: YTL9.130.923
- 31- Breakdown of subsidiaries and equity investments having an indirect shareholding and management relationship with the Company, participation rates and amounts of these subsidiaries and equity investments; profit/loss, net profit/loss in the latest financials, the period of these financials and the type of opinion of the independent audit report if the Company is independently audited as unqualified, qualified and adverse:

31 December 2005

	Participation Rate	Participation Amount
a) Equity Investments		
- Yapı Kredi Emeklilik A.Ş.	99.93%	148.249.982 YTL
b) Subsidiaries	-	-
c) Other Financial Assets		
- Tarım Sigortaları Havuz İşletmesi A.Ş.	6.25%	375.000 YTL
- T. Sınai Kalkınma Bankası A.Ş.	less than 1%	121.062 YTL
- Satel A.Ş.	2.13%	95.479 YTL
- T. Genel Sigorta A.Ş.	less than 1%	28.717 YTL
- Yapı Kredi Kültür Sanat Yayıncılık Tic.A.Ş.	less than 1%	10 YTL
- Other	less than 1%	2 YTL
Capital Commitments		
- Tarım Sigortaları Havuz İşletmesi A.Ş.		(281.250) YTL
		339.020 YTL
Total		148.589.002 YTL

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

31- Breakdown of subsidiaries and equity investments having an indirect shareholding and management relationship with the Company, participation rates and amounts of these subsidiaries and equity investments; profit/loss, net profit/loss in the latest financials, the period of these financials and the type of opinion of the independent audit report if the Company is independently audited as unqualified, qualified and adverse (Continued):

The Company has recorded Halk Reasürans A.Ş., one of its subsidiaries that has a restated value of YTL3.783.520 as of 31 December 2004 at YTL95.273 as of 31 December 2005 which is the value set for the transfer of the Company to Bayındırlık İşleri A.Ş.. The Company has sold its shares of Halk Reasürans A.Ş. at 16 September 2005 for YTL95.273 to Bayındırlık İşleri A.Ş. with all the rights and obligations and collected its payment.

The Company has recorded Satel A.Ş., one of its subsidiaries that has a restated value of YTL6.543.269 as of 31 December 2004 at YTL95,479 as of 31 December 2005 based on its historical cost based on the best estimate of the management.

The information on the recent financials of Yapı Kredi Emeklilik A.Ş. is stated below. These financials are not in line with Capital Markets Board Regulations.

	Date	Profit or Loss (YTL)	Net Period Profit or Loss (YTL)	Compliance with CMB	Independently Audited	Auditor's Opinion (limited)	Shareholders' Equity
Yapı Kredi Emeklilik A.Ş.	30.06.2005	(6.570.345)	(6.570.345)	No	Yes	Unqualified	56.323.590

32- Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None.

33- Rights on immovables and their value: None.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

34- Revaluation of property and equipment in the last three years: None.

Year	Inflation Adjustment
31.12.2003	-
31.12.2004	90.350.249
31.12.2005	-

35- Receivables and payables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:

31 December 2005				
	Type	Original Amount	Rate	Amount
a) Cash-Banks	USD	4.194.288	1.34180	5.627.895 YTL
	EUR	1.431.627	1.58750	2.272.708 YTL
	GBP	60.948	2.31210	140.918 YTL
	CHF	80.920	1.01880	82.441 YTL
	DKK	186.547	0.21276	39.690 YTL
	SEK	32.813	0.16783	5.507 YTL
				8.169.159 YTL
b) Marketable Securities	USD	3.079.990	1.34180	4.132.730 YTL
	EUR	1.386.646	1.58750	2.201.300 YTL
				6.334.030 YTL
c) Payables	USD	137.179	1.34830	184.958 YTL
	EUR	9.521	1.59520	15.189 YTL
	GBP	3.094	2.32420	7.191 YTL
				207.338 YTL

36- Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None.

37- Average number of employees during the period by category:

31 December 2005	
Middle/Upper Management	41
Other Employees	830

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO BALANCE SHEET AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

38- Valuation methods of share profit calculation for life insurance: None.

39- Purposes for the short-term or long-term loans received: None.

40- Other matters that may have a material effect on, or may prevent the clear understanding of, the financial statement:

The shares amounting to 57,42% of the capital of Yapı ve Kredi Bankası A.Ş., the main shareholder of the Company, have been sold to Koçbank A.Ş. and the transaction has been recorded to the share register in accordance with the BOD decision of Yapı ve Kredi Bankası A.Ş dated 28 September 2005.

Koçbank has applied to the CMB for a tender offer to call the shares held by other shareholders of Yapı Kredi Sigorta A.Ş. amounting to 6,79% of the shares (equivalent to YTL10.860.617,26, total of 10.860.617.260 unit shares with face value of YTL1.000 per share). The call of the shares, performed through Koç Yatırım Menkul Değerler A.Ş., in accordance with the relevant communiqué of the Capital Markets Board (Section IV-No:8), within the framework of the CMB decision dated 5 January 2006 and numbered 2/9, has been finalized as at 14 February 2006.

During the call period, no shareholder has attended the call.

41- Receivables from claim recoveries followed under off-balance sheet accounts: YTL1.596.195 (Net)

42- Additional paragraph for convenience translation into English:

The financial statements are prepared and presented in accordance with the accounting principles and applications of Turkish Commercial Law and Tax Legislation and Insurance Supervisory Law, which are different from the accounting principles generally accepted in the countries in which the financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and the IFRS.

YAPI KREDİ SİGORTA A.Ş.

NOTES TO STATEMENT OF INCOME / (LOSS) AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	31 December 2005	
1- Depreciation and amortisation expenses for the period:	3.616.189 YTL	
a) Depreciation expenses	2.919.291 YTL	
aa) Depreciation expenses on historical cost	2.919.291 YTL	
ab) Depreciation expenses due to revaluation	-	
b) Amortisation expenses	696.898 YTL	
	31 December 2005	
2- Provision and rediscount expenses for the period:	32.249.653 YTL	
a) Rediscount expenses, net	(1.066.087)YTL	
b) Provision expenses for doubtful receivables, net	322.633 YTL	
c) Provision expenses for premium receivables, net	594.861 YTL	
d) Provision for employment termination benefits	1.494.661 YTL	
e) Technical provisions, net	30.903.585 YTL	
3- Total financial expenses for the period:	None.	
4- Financial expenses related to shareholders, investments and subsidiaries (any amount exceeding 20% of total will be illustrated separately):	None.	
5- Sales to/purchases from shareholders, equity investments and subsidiaries (any amount exceeding 20% of total will be illustrated separately):		
	31 December 2005	
	Sales	Purchases
a) Shareholders		
- Yapı ve Kredi Bankası A.Ş.	4.718.018 YTL	-
- Yapı Kredi Faktoring A.Ş.	97.336 YTL	
- Yapı Kredi Yatırım A.Ş.	712.229 YTL	-
b) Equity Investments		
- Yapı Kredi Emeklilik A.Ş. (*)	691.689 YTL	643.039 YTL
c) Subsidiaries		
- Yapı Kredi Kültür Sanat A.Ş.	85.335 YTL	-

(*) The balance is related with premium production.

Gross premium income arising from the transactions with the other group companies of Yapı ve Kredi Bankası A.Ş. for the period ended at 31 December 2005 is YTL1.436.735 and YTL2.073.404 for the group companies of Koç Holding A.Ş.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO STATEMENT OF INCOME / (LOSS) AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 6- **Interest, rent or other charges received from or paid to shareholders, equity investments and subsidiaries (any amount exceeding 20% of total will be illustrated separately):**
- | | 31 December 2005 | |
|-----------------------------|------------------|---------------|
| | <u>Received</u> | <u>Paid</u> |
| a) Shareholders | | |
| - Yapı Kredi Bankası A.Ş. | 1.222.887 YTL | 1.400.268 YTL |
| - Yapı Kredi Factoring | 154.722 YTL | - |
| b) Equity Investments | | |
| - Yapı Kredi Emeklilik A.Ş. | 43.650 YTL | 531.434 YTL |
| c) Subsidiaries | | |
- 7- **Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Manager and other executive management: YTL2.406.948**
- 8- **Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year:** As indicated in balance sheet Note 11.12, the opening balance of tangible and intangible assets have been adjusted in line with the regulations stated in the CMB Communiqué XI No:25 regarding the Financial Reporting in Hyperinflationary Economies. Depreciation expense for the period has been calculated based on the restated amounts using the straight-line method.
- 9- **The criteria set by the Company for the allocation performed for general administrative, research & development and marketing & selling expenses that cannot be allocated directly:** In accordance with the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated 30 December 2004, insurance companies are required to record some of their general expenses under technical accounts. In line with this regulation, some of the expenses are directly allocated to the relevant technical accounts and the rest are allocated to the technical accounts according to the distribution of premiums and number of policies between branches.
- 10- **Income and expenses related to prior periods and the amounts and sources of expenses and losses:** The income related to the prior year amounting to YTL384.881 is related with the reversal of the provision for Insurance Supervisory Board fee recorded in 2004.
- 11- **Profit and dividend per common and preferred shares:** None.
- 12- **Number of units and private/group allocation of gross/net contribution fees of the private pension fund participants entering the Company during the period:** None.
- 13- **Number of units and private/group allocation of gross/net contribution fees of the private pension fund participants transferred from another company during the period:** None.
- 14- **Number of units and private/group allocation of gross/net contribution fees of the private pension fund participants transferred from the life insurance portfolio to the private pension funds portfolio during the period:** None.

YAPI KREDİ SİGORTA ANONİM ŞİRKETİ

NOTES TO STATEMENT OF INCOME / (LOSS) AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

- 15- **Number of units and private/group allocation of gross/net contribution fees of the private pension fund participants that left the Company and transferred to another company or that left the Company but did not transfer to another company: None.**
- 16- **Number of units, gross/net premiums and private/group allocation of life policyholders entering the Company during the period: None.**
- 17- **Number of units, gross/net premiums and private/group allocation of mathematical reserves for life policyholders that left the Company during the period: None.**
- 18- **Profit share rates provided to the life policyholders: None.**
- 19- **Other notes related with the financial statements presented in attachment-4: None.**

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