KPMG

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

Consolidated Interim Financial Statements
As at 31 March 2013
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

31 May 2013

This report includes "Independent Auditors' Report on Review of Consolidated Interim Financial Statements" comprising 1 page and; "Consolidated Interim Financial Statements Together with their Explanatory Notes" comprising 55 pages.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

To the Board of Directors of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi;

Introduction

We have reviewed the accompanying consolidated statement of financial position of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and its subsidiary (the "Group") as at 31 March 2013, the consolidated statement of comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes, comprimising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 – *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information statements of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2013, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 – *Interim Financial Reporting*.

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Istanbul
31 May 2013

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Financial Position
At 31 March 2013
(Currency: Turkish Lira (TL))

	Notes	**31 March 2013**	**31 December 2012**
ASSETS			
Cash and cash equivalents	*7*	65,046,642	55,980,061
Financial assets at fair value through profit or loss	*8*	6,124,372	6,574,908
Premium and other insurance receivables	*10*	96,907,242	32,436,266
Due from insurance and reinsurance companies	*11*	16,241,860	11,278,737
Investment securities	*8*	147,359,320	132,334,127
Reinsurance assets	*23*	4,760,568	4,156,789
Other assets	*13*	4,060,952	1,935,988
Deferred acquisition costs	*19*	9,465,469	5,369,084
Deferred tax assets	*18*	3,270,727	3,273,297
Investment properties, net	*14*	2,534,481	2,553,332
Property and equipment, net	*15*	2,548,919	2,476,570
Intangible assets, net	*16*	232,132	226,342
Total assets		**358,552,684**	**258,595,501**
LIABILITIES AND EQUITY			
Financial liabilities	*9*	19,394,565	26,039,450
Due to reinsurance companies	*11*	931,750	115
Other insurance payables	*12*	3,126,162	5,531,854
Payables to medical networks	*12*	28,328,939	23,374,621
Insurance contract liabilities	*23*	185,621,324	78,999,512
Investment contract liabilities	*24*	31,257,808	32,605,934
Income taxes payable	*18*	-	1,763,691
Employee benefits	*20*	2,817,686	3,416,106
Other provisions	*21*	6,323,421	7,036,394
Other liabilities	*22*	4,048,668	3,420,285
Total liabilities		**281,850,323**	**182,187,962**
Share capital	*25*	74,010,960	74,010,960
Fair value reserve of available-for-sale financial assets		806,747	3,335,309
Legal reserves	*25*	455,779	455,779
Retained earnings/(Accumulated losses)		1,428,875	(1,394,509)
Equity attributable to owners of the Group		**76,702,361**	**76,407,539**
Total liabilities and equity		**358,552,684**	**258,595,501**

The notes on pages 7 to 55 are an integral part of these consolidated interim financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Comprehensive Income
For the Three-Month Period Ended 31 March 2013
(Currency: Turkish Lira (TL))

	Notes	31 March 2013	31 March 2012
Gross premiums earned	*23*	61,428,760	54,562,035
Premiums ceded to reinsurers	*23*	(704,641)	(7,689,868)
Net premiums	*23*	**60,724,119**	**46,872,167**
Fees and commission income	*26*	116,639	273,271
Investment income	*28*	6,975,067	3,717,258
Other technical income	*30*	1,891,852	848,272
Other income	*29*	805,332	81,348
Total income		**70,513,009**	**51,792,316**
Gross benefits and claims paid	*23*	(54,316,421)	(41,168,309)
Claims ceded to reinsurers	*23*	197,458	8,541,112
Gross changes in insurance contract liabilities	*23*	(1,693,674)	1,031,798
Changes in insurance contract liabilities ceded to reinsurers	*23*	400,885	(1,816,478)
Gross change in investment contract liabilities		(536,501)	902,112
Net benefits and claims		**(55,948,253)**	**(32,509,765)**
Commission expenses	*19*	(3,636,677)	(3,221,703)
Other operating and administrative expenses	*27*	(5,765,633)	(4,678,626)
Finance costs	*28*	(1,494,786)	(3,843,804)
Other technical expenses	*30*	(173,258)	(2,688,224)
Other expenses	*29*	26,435	(1,163,143)
Total expenses		**(66,992,172)**	**(48,105,265)**
Profit before taxes		**3,520,837**	**3,687,051**
Income tax expenses	*18*	(697,453)	(750,839)
Profit for the period		**2,823,384**	**2,936,212**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair values of available-for sale-financial assets owned by the Group		(23,363)	607,169
Net changes in fair values of available-for-sale financial assets backing investment contract liabilities		203,514	956,580
Foreign exchange effect of available-for-sale financial assets backing investment contract liabilities		8,265	97,401
Net changes in fair values of available-for-sale financial assets owned by the Group, transferred to profit or loss		(3,123,329)	139,339
Net changes in fair values of available-for-sale financial assets backing investments contract liabilities, transferred to profit or loss		(225,661)	2,242
Taxes on other comprehensive income		632,012	(360,546)
Other comprehensive income for the period, net of tax		**(2,528,562)**	**1,442,185**
Total comprehensive income for the period		**294,822**	**4,378,397**

The notes on pages 7 to 55 are an integral part of these consolidated interim financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Changes in Equity
For the Three-Month Period Ended 31 March 2013

(Currency: Turkish Lira (TL))

	Share capital	Fair value reserve of available-for-sale financial assets	Legal reserves	Retained earnings / Accumulated losses)	Total
Balances at 31 December 2011	**74,010,960**	**(2,229,585)**	**77,491**	**(28,904,189)**	**42,954,677**
Total comprehensive income for the period					
Profit of the period	-	-	-	2,936,212	2,936,212
Other comprehensive income, net of tax	-	1,442,185	-	-	1,442,185
Total comprehensive income for the period	**-**	**1,442,185**	**-**	**2,936,212**	**4,378,397**
Balances at 31 March 2012	**74,010,960**	**(787,400)**	**77,491**	**(25,967,977)**	**47,333,074**
Balances at 31 December 2012	**74,010,960**	**3,335,309**	**455,779**	**(1,394,509)**	**76,407,539**
Total comprehensive income for the period					
Profit of the period	-	-	-	2,823,384	2,823,384
Other comprehensive income, net of tax	-	(2,528,562)	-	-	(2,528,562)
Total comprehensive income for the period	**-**	**(2,528,562)**	**-**	**2,823,384**	**294,822**
Balances at 31 March 2013	**74,010,960**	**806,747**	**455,779**	**1,428,875**	**76,702,361**

The notes on pages 7 to 55 are an integral part of these consolidated interim financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows
For the Three-Month Period Ended 31 March 2013
(Currency: Turkish Lira (TL))

	Notes	31 March 2013	31 March 2012
Cash flows from operating activities:			
Profit for the period		2,823,384	2,936,212
Adjustments for:			
Current and deferred tax charge	*18*	697,453	750,839
Depreciation and amortisation	*14,15,16*	163,443	115,467
Provision for employee severance indemnity	*20*	247,079	45,023
Provision for vacation pay liability		147,010	93,254
Provision for personnel bonus		495,000	(674,317)
Change in other provisions	*21*	(712,973)	3,706,078
Claims reported during the period and change in claims estimation incurred in previous years, gross	*23*	56,010,095	40,093,077
Change in reserve for unearned premiums, gross	*23*	104,946,734	90,484,475
Change in life mathematical reserves for long term contracts	*23*	(18,596)	53,518
Provision for doubtful receivables, net	*29*	249,174	130,794
Net interest income	*28*	(5,292,220)	(1,234,290)
Changes in operating activities:			
Change in premium and other insurance receivables		(65,732,699)	(73,253,836)
Change in receivables from insurance and reinsurance companies		(5,068,865)	3,422,859
Change in reinsurance assets	*23*	(603,779)	8,911,464
Change in other assets		(2,124,964)	(1,602,362)
Change in deferred acquisition costs	*19*	(4,096,385)	(3,804,107)
Change in investment contract liabilities		(1,348,126)	(1,567,006)
Change in due to reinsurance companies		931,635	(12,167,484)
Change in other insurance payables		(2,387,500)	6,714,877
Change in payables to medical networks		4,992,276	3,843,713
Change in other liabilities		633,195	396,180
Change in loan and receivables backing investment contracts		146,502	534,613
Change in loan and receivables pledged in favour of the Turkish Treasury	*8*	(473,488)	(157,840)
Change in loan and receivables with original maturity more than 3 months		(24,150,254)	-
Claims paid, gross	*23*	(54,316,421)	(41,168,309)
Employee severance indemnity paid	*20*	(123,382)	(23,917)
Unused vacations paid		(14,127)	(1,223)
Personnel bonuses paid		(1,350,000)	-
Income taxes paid	*18*	(1,827,202)	-
Net cash from operating activities		**2,841,999**	**26,577,752**

The notes on pages 7 to 55 are an integral part of these consolidated interim financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows *(continued)*
For the Three-Month Period Ended 31 March 2013
(Currency: Turkish Lira (TL))

	Notes	31 March 2013	31 March 2012
Cash flows from investing activities:			
Acquisition of property and equipment	*15*	(194,865)	(39,923)
Acquisition of intangible assets	*16*	(27,866)	(14,113)
Acquisition of financial assets at fair value through profit or loss	*8*	(510,388)	(640,000)
Proceeds from financial assets at fair value through profit or loss	*8*	756,692	34,147
Acquisition of available-for-sale financial assets	*8*	(38,312,691)	(68,259,414)
Proceeds from sale of available-for-sale financial assets	*8*	47,731,721	54,468,349
Interest received		3,666,061	4,311,800
Interest paid		(274,193)	(4,634,801)
Net cash from investing activities		**12,834,471**	**(14,773,955)**
Cash flows from financing activities:			
Change in obligations under repurchase agreements, net		(6,651,729)	15,152,001
Net cash from financing activities		**(6,651,729)**	**15,152,001**
Net increase in cash and cash equivalents		**9,024,741**	**26,955,798**
Cash and cash equivalents at 1 January	*7*	55,751,546	19,863,197
Cash and cash equivalents at 31 March	*7*	**64,776,287**	**46,818,995**

The notes on pages 7 to 55 are an integral part of these consolidated interim financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

Notes to the Consolidated Interim Financial Statements

1 Reporting entity

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi ("the Company") was established under "Bayındır Hayat Sigorta Anonim Şirketi" title to achieve whole kinds of underwriting activities within the scope of life insurance and especially life, personal accident, health and sickness insurances as well as co-insurance, re-insurance and retrocession operations within the boundaries of Turkey and in foreign countries. The Company initiated insurance activities in 1994, executing insurance policies and investment contracts in life, personal accident and health branches.

On 6 February 2004, shares representing 99.72% of the Company's capital was purchased by Mehmet Ali Aydinlar from Savings Deposit Insurance Fund and the title of the Company has been changed as "Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi" based on the resolution of the General Assembly on 12 February 2004.

Following the formal approval given by the Republic of Turkey Prime Ministry Under Secretariat of Treasury (the "Turkish Treasury") on 13 November 2007, 49.99% of the Company shares were transferred to Walnut Holding Cooperaite U.A. operating under Abraaj Capital which is an international investment company, through share increase method in accordance with the resolution of the Board of Directors on 17 December 2007.

The consolidated interim financial statements of the Company as at and for the three-month period ended 31 March 2013 comprises the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities").

The Group has 296 employees as at 31 March 2013 (31 December 2012: 263 employees).

The address of the registered office of the Company is as follows:

Küçükbakkalköy Mah. Başar Sok. No: 22 – 26

34750 Ataşehir Istanbul – Turkey

2 Basis of preparation

a) Statement of compliance

The accompanying consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 – Interim Financial Reporting. The Group adopted all IFRSs, which were mandatory as at 31 March 2013.

The accompanying consolidated interim financial statements were authorised for issue by the Board of Directors on 31 May 2013.

2 Basis of preparation *(continued)*

b) Basis of measurement

The accompanying consolidated interim financial statements are prepared in accordance with historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for items measured at fair value that are financial assets at fair value through profit or loss, derivative financial assets and liabilities, available-for-sale financial assets and investment contract liabilities which are measured at their fair values.

c) Functional and presentation currency

The accompanying consolidated interim financial statements are presented in TL, which is the Group Entities' functional currency.

d) Accounting in hyperinflationary countries

The consolidated interim financial statements of the Group has been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standards ("IAS") IAS 29 – *Financial Reporting in Hyperinflationary Economies* until 31 December 2005. *IAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of *IAS 29* is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in qualitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under *IAS 29* effective from 1 January 2006.

e) Use of estimates and judgments

The preparation of the consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim financial statements are described in the following notes:

- Note 4 – *Critical accounting estimates and judgments in applying accounting policies*
- Note 5 – *Management of insurance risk*
- Note 6 – Management of *financial risk*
- Note 10 – *Premium and other insurance receivables*
- Note 18 – *Income taxes*
- Note 19 – *Deferred acquisition costs*
- Note 20 – *Employee benefits*
- Note 21 – *Other provisions*
- Note 23 – *Insurance contract liabilities*
- Note 24 – *Investment contract liabilities*

(Currency: Turkish Lira (TL))

3 Significant accounting policies

The accompanying consolidated interim financial statements include the accounts of the Group Entities on the basis set out in sections below.

a) Basis of consolidation

The accompanying consolidated interim financial statements comprise the financial statements of the parent company ("Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi") and its subsidiary ("Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi") prepared on the basis set out in sections below. The consolidated interim financial statements of the entities included in the consolidation have been prepared as at the date of these consolidated interim financial statements.

Subsidiary

Subsidiary is the entity controlled by the Group. The financial statements of the subsidiary is included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

b) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at the reporting date. Transactions in foreign currencies and non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency at exchange rates at the dates of the transactions.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences arising on translation are recognised in profit or loss, except for foreign currency differences arising from the translation of the available-for-sale financial assets, which are recognised in other comprehensive income.

Foreign currency exchange rates used by the Group as at respective dates are as follows:

Dates	US Dollar / TL	Euro / TL
31 March 2013	1.8087	2.3189
31 December 2012	1.7826	2.3517

As written on the face of the saving life policies executed by the Group, investment contract liabilities are translated into TL by using effective foreign exchange selling rates announced by the Central Bank of Turkey which were 1.8147 US Dollar/TL and 2.3265 Euro/TL as at reporting date (31 December 2012: 1.7939 US Dollar/TL and 2.3665 Euro/TL).

3 Significant accounting policies *(continued)*

c) Insurance premiums

Premiums are recognised on the date on which the policy commences. Premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premiums when due. Premiums are shown before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied on premiums.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

For short-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue (net insurance premium revenue) in profit or loss, net of premiums ceded to reinsurance firms, proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at reporting date is recognised as the reserve for unearned premiums (refer to accounting policy *(q)*).

For long-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue in profit or loss when the premiums are due from the policyholders.

Amounts collected as premiums from investment contracts (refer to accounting policy *(o)*), are not recognised as revenue in profit or loss. Premiums for such contracts are reported as deposits in the consolidated statement of financial position as investment contract liabilities.

d) Fees and commission income and commission expenses

Commission income and expenses comprise commissions received from reinsurance companies and commissions paid to the intermediaries, respectively. Commission income and commission expenses are recognised based on accrual basis over the life of the related insurance policies.

Commissions earned from the intermediary operations of the Group on behalf of other insurance companies for property and casualty insurance products (refer to accounting policy *(o)*) are recognised as revenue at the inception of the contracts.

Other fees and commission income, especially for the fees charged to other parties against the consulting services provided by the Group is recognised as the related services are performed.

e) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial assets or liabilities. Interest income and expense presented in the consolidated statement of comprehensive income includes:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

f) Trading income, net

Net trading income includes gains and losses arising from disposal of financial assets at fair value through profit or loss and available-for-sale financial assets and gains and losses on derivative financial instruments held for trading purpose.

g) Claims, net of ceded

Benefits and claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the recoveries, and any adjustments to claims outstanding from previous years. Claims are recognised in the period in which they occur, based on reported claims or on the basis of estimates when not reported. Full provision is accounted for the claims outstanding, including claim settlements reported at the reporting date. Incurred but not reported claims are also provided for under the claims provision.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

h) Property and equipment

The costs of the property and equipment acquired before 1 January 2006 are restated for the effects of inflation in TL unit current at 31 December 2005 pursuant to *IAS 29*. The property and equipment acquired subsequent to this date are recorded at their historical costs. Accordingly, property and equipment are carried at costs, less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Property and equipment	**Estimated useful lives (years)**
Buildings	50
Furniture and fixtures	3-15
Other tangible assets (including leasehold improvements)	5
Assets obtained through finance leases	5

Gains/losses arising from the disposal of the property and equipment are recognised in profit or loss and calculated as the difference between the net book value and the net sales price.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Expenditures incurred to replace a component of a tangible asset that is accounted for separately, and major inspection and overhaul costs, are capitalised. Other subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are reflected as expense in profit or loss as incurred.

i) Intangible assets

The Group’s intangible assets consist of rights and software programs. Intangible assets are recorded at cost. The costs of the intangible assets purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortised based on straight line amortisation. The economic lives of intangible assets vary within the range of three and fifteen years and hereby the amortisation rates applied are within 33.33% and 6.66%.

3 Significant accounting policies *(continued)*

j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measures investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses). Estimated useful lives of investment properties and depreciation rates are 50 years and 2.0%, respectively.

k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for as particular asset or a group of assets, then that asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses in respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Leases

Finance leases

Leases of property and equipment where the Company has substantially all the risks and the rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the principal balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables and provisions. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are written down to their recoverable amount. Depreciation for assets obtained through finance lease is calculated in the same manner as other tangible assets.

Operational leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies *(continued)*

m) Financial instruments

Recognition

The Group initially recognises loans and advances on the date which they are originated. All other financial assets and liabilities are initially recognised on the date of settlement at which the related financial instruments are transferred from the counterparties physically.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments securities and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss ("FAAFTPL") are the financial assets, classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Held-to-maturity investment securities are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. These include certain debt securities.

Available-for-sale financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has as at fair value through profit or loss or available-for-sale. They arise when the Company provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

See also *specific instruments* below.

Measurement

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial and the maturity amounts, minus any reduction for impairment.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial assets at fair values through profit or loss are recognised in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair values of available-for-sale financial assets are recognised in equity except to the extent that they qualify for assets backing liabilities (investment contracts). When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the profit or loss as net realised gains/losses on financial assets.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Loans and receivables are derecognised on the day they are transferred by the Group.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Specific instruments

Cash and cash equivalents: For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and short-term cash at banks with an original maturity of three months or less except for cash at banks collateralised in favour of the Turkish Treasury.

Loans to the policyholders are the securitised loans that are used by the policyholders with the security of their life policies that have made premium payments throughout a certain period, determined by the technical bases related to certified tariffs of life policies (this period is 3 years according to general conditions of life insurance). As at 31 March 2013, total amount of loans to the policyholders amounts to TL 725,103 (31 December 2012: TL 727,653) *(Note 10)*.

Investment in equity participations are measured at cost as adjusted to reflect the effect of inflation as of 31 December 2005 less impairment losses, if any.

Investment securities: Investment securities are the financial assets that are classified as held-to-maturity financial assets and available-for-sale financial assets.

Assets backing liabilities are the financial assets invested against the savings of the life policyholders which are classified as investment contract liabilities in the accompanying consolidated statement of financial position. In accordance with the prevailing legislation assets backing liabilities could be classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment securities and available-for-sale financial assets by considering the benefits of the policyholders and measured in accordance with the principles as stated above.

See also accounting policy regarding *investment contracts (o)*.

Time deposits at banks are the assets deposited at banks with an original maturity of more than three months on behalf of the Group or the policyholders for earning interest.

Repurchase transactions: The Group enters into purchases/sales of investments under agreements to resell/repurchase the same investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised in the accompanying consolidated interim financial statements. The amounts paid are recognised as receivables from reverse repurchase agreements in the accompanying consolidated interim financial statements. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy applicable for the financial instrument group they are classified in.

Finance income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in “interest income” or “interest expense” in the accompanying consolidated profit or loss.

3 Significant accounting policies *(continued)*

n) Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets is individually impaired. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from individual financial asset. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the counterparty (agency or debtor);

(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 60 days;

(c) it is probable that the counterparty will declare bankruptcy or enter into other financial reorganisation;

(d) the disappearance of an active market for the related financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

  (i) adverse changes in the payment status of counterparties; or

  (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss as a reclassification adjustment. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the receivables. Subsequent recoveries of amounts previously written off are included in profit or loss.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums have been received within the coverage of insurance contracts recognised as revenue under “premiums written” account.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The insurance contracts and investment contracts are classified into three main categories, depending on the duration.

Short-term insurance contracts

Short-term insurance contracts are health insurance products protecting the Group’s customers against cost of treatments in case of sickness, personal accident and short-duration life contracts protecting the Group’s customers from the consequences of events (such as death and disability) that would affect on the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

The Group also makes the intermediary of other insurance companies in Turkey for property and casualty insurance products and earns commission from intermediary operations. Casualty insurance contracts protect the customers against the risk of causing harm to third parties as a result of their legitimate activities. Property insurance contracts mainly compensate the customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). Those contracts are not recognised in the accompanying consolidated interim financial statements.

Long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholders. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the discounted value of the benefit payments less the theoretical premiums that would be required to meet the benefits on the valuation assumptions used.

All insurance benefit amounts are defined in TL or indexed to US Dollar or EUR. Net level premium amount depends on the real age of the life assured. Upon request of the policyholder and against surrender of the policy; the Group is obliged to purchase the insurance in the way specified in the policy for which premiums have been paid at least for the stated term.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification *(continued)*

Investment contracts

The Group has saving life policies with regular and single premium payments. Premiums received for such contracts are recognised directly as liability. These liabilities are increased by interest rate calculated by the Group and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

These contracts entitle the holders to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date. The Group has an obligation to eventually pay to contract holders at least 90% - 95% of the eligible surplus (i.e., all interest earned from the assets backing these contracts) and holds 5% - 10 % as fee of administration of the operations.

The Group classifies these assets backing liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments in the accompanying consolidated interim financial statements. Since the Group is obliged to pay all eligible surplus obtained from these assets to the policyholders, the Group recognises 90% - 95% (5%-10% is decreased as policy administration fees) of eligible surplus as investment contract liabilities. In relation to the unrealised gains and losses arising from the assets backing these contracts, the Group establishes a liability equal to 90% - 95% of these net gains. Shareholders' interest in the unrecognised gains and losses (equal to 5% - 10%) is recognised in the equity.

Premium and benefit amounts are determined according to the future expectations of the policyholder and the age of the life assured. Benefit amounts and premiums are indexed to hard currencies (US Dollar or EUR) in order to make provision against the inflation.

Liability adequacy test

At each balance sheet date, asset-liability adequacy tests are performed to ensure the adequacy of contract liabilities. In performing these tests, current best estimates of future cash flows are used. When estimating future cash flows, the following parameters are used. Any deficiency is immediately assessed to test whether if there is a need of establishing a provision for losses arising from liability adequacy tests.

-Future interest rate forecasts,

-Lapse and surrender rates of the existing contracts,

-Maturity rates,

-Average premium per insured

Long term life insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

p) Deferred acquisition costs and deferred commission income

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalised as deferred acquisition costs ("DAC"). Deferred acquisition costs are amortised on a straight-line basis over the life of the contracts.

Deferred commission income which is also calculated on a straight-line basis over the life of the contract based on commission received from reinsurance firms is presented in other liabilities in the accompanying consolidated interim financial statements.

3 Significant accounting policies *(continued)*

q) Reserve for unearned premiums

Unearned premiums are those proportions of the premiums written in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. In accordance with the incumbent legislation on the computation of insurance contract liabilities, reserve for unearned premiums set aside for unexpired risks as at the reporting dates, has been computed on daily pro-rata basis. The change in the reserve for unearned premiums is recognised in the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk.

Since the claims are directly correlated with the seasons, for short-term insurance contracts especially in health branch, the Group reassesses the reserve for unearned premiums on the basis of the expected timing of incurred claims and benefits in a year and makes related adjustment on reserve for unearned premiums considering the inception and maturity dates of the policies' coverage. The Group also adjusts reserve for unearned premiums to reflect the effect of medical inflation on reserve for unearned premiums. Since the medical inflation is mainly determined by the change in TTB cofactor as announced by the Turkish Medical Association announced once in a year at the beginning of the year, total amount of the claims are not parallel to the earning of the premiums. Those analyses are made on policy basis. Accordingly as at and for the three month period ended 31 March 2013, the Group adjusted reserve for unearned premiums by TL 451,762 (31 December 2012: TL 1,639,444).

r) Provision for outstanding claims / IBNR

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. A provision for claims incurred but not reported ("IBNR") is also established as described below. In the accompanying consolidated interim financial statements, provision for claims is presented by netting of amounts recoverable from reinsurers. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis. General insurance claims provisions are not discounted for the time value of money.

s) Life mathematical provisions

Life mathematical provisions are recorded to reflect the liability of the Group against the policyholders for long-term life policies and calculated as the difference between the net present values of premiums collected in return of the risk covered by the Group and the liabilities to policyholders. Life mathematical provisions are the sum of the remainder of collected premiums. Life mathematical provisions are computed on the basis of actuarial mortality assumptions as approved by the Turkish Treasury, which are applicable for Turkish insurance companies.

t) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

u) Reinsurance contracts held *(continued)*

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

v) Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated interim financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are TL 3,129 and TL 3,034 at 31 March 2013 and 31 December 2012 respectively.

IAS 19 – *Employee benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated interim financial statements as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013	**31 December 2012**
Discount rate	2.05%	2.05%
Expected rate of salary/limit increase	5.00%	5.00%
Turnover rate to estimate the probability of retirement	17.09%	17.09%

Short-term employee benefits

The Group has recorded provision for undiscounted short-term employee benefits accrued during the period as per services rendered in compliance with *IAS 19* in the accompanying consolidated interim financial statements.

w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Future operating costs are not provided for.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as finance cost.

3 Significant accounting policies *(continued)*

x) Taxes on income

Income tax expense comprises current and deferred taxes. In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognised in profit or loss, then the related current and/or deferred tax effects are also recognised in profit or loss. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

Current taxes

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five 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.

Deferred taxes

Deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the accompanying consolidated interim financial statements if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of same taxable entity and relate to income taxes levied by the same taxation authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies *(continued)*

x) Taxes on income *(continued)*

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

y) Related parties

For the purpose of the accompanying consolidated interim financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning after 1 April 2013, and have not been applied in preparing these consolidated interim financial statements. The Group does not plan to adopt these standards early. Those which may be relevant to the Group are set out below:

IFRS 9 *Financial Instruments*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. *IFRS 9* (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of *IFRS 9* and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2009) requirements represent a significant change from existing requirements is *IAS 39* in respect of financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing *IAS 39* categories of *held to maturity*, *available-for-sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investment in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

3 Significant accounting policies *(continued)*

z) New standards and interpretations not yet adopted *(continued)*

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather in profit or loss. Apart from this change, *IFRS* 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 if effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to *IFRS 9* to address practice and other issues. The Group has commenced the process of evaluating the potential effect on this standard but is awaiting finalisation of limited amendments before the evaluation can be completed. Given the nature of the Group's transactions, this standard is expected to have pervasive impact on the Group's consolidated interim financial statements.

4 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the Note 5 – *Management of insurance risk* and Note 6 – *Management of financial risk.*

The preparation of the consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables CSO1953-58, CSO 80 (Male-Female), CSO 2001 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Group also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.

ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.

iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.

iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

5 Management of insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contact, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of the probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claim and benefit payments exceed carrying amount of the insured liabilities. These could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is likely to be affected across the board by a change in any subset of portfolio.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Pricing policies

The pricing policies and principles of the Group are as follows:

i) While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.

ii) During the study of pricing activities as a part of developing a new product, working of relevant units together within the Group is maintained by considering the needs of the customers and competition in the market.

iii) It is aimed to achieve profitability in product basis and providing continuity.

iv) Results of the pricing studies are compared with the prices of the competitors and international pricing cases, if observables.

The Group accepts insurance risk in health, life insurance, and personal accident branches. The Group also engages in other non-life branches through its intermediary operations of its subsidiary of which financial statements are consolidated in the accompanying consolidated interim financial statements. On the other hand, since the Group does not underwrite policies in those branches, they are not included in the accompanying consolidated interim financial statements.

Health contracts

In health branch, the Group underwrites both individual and corporate policies under which insured medical expenses are compensated by the Group.

In individual segment, the Group offers a wide-range of pre-defined products and extensive network of contracted service providers and detailed policy coverage to its individual customers which includes different indemnities and guarantees containing inpatient, outpatient, physician, birth-maternity, treatments in abroad, doctor and medicine, laboratory and screening, physical treatment, check-up, domestic and international travels and critical illnesses warranties.

In corporate segment, the Group provides tailor-made products which are designed in accordance with the requests and needs of the corporate by considering the demographic distribution of the corporate employees. The Group offers a wide range of elastic products and extensive network of contracted service providers and detailed policy coverage.

5 Management of insurance risk *(continued)*

Health contracts *(continued)*

The risk for the insurance contracts is related with the fact that the possibility of the insurance incident to occur and the damage amounts stemming from this certain incident is unknown due to the very nature of the insurance contracts, the respective risk is coincidental and hence cannot be foreseen thoroughly. The Group manages the respective risks with policy construction strategies and reassurance contracts where there are parties in all branches.

Pricing by the Group is made based on the statistical analysis, previous data and morbidity and mortality tables with regards to the respective product.

Considering the guarantee types provided by the Group, the numbers and quantitative distribution can be observed in the table below. The Group management believes that the numbers and the quantitative distribution are sufficient.

Risk contracts in life and personal accident

Çınar Accident Insurance: It provides the guarantee of hospital stay due to accidents and breakages due to accidents, permanent disability due to accidents, and loss of life due to accidents.

Acıbadem Accident: While death due to the accident is the main guarantee, other guarantees such as medical treatment costs for the permanent disability due to the accident, permanent disability due to illness, and guarantees for death due to the accidents in public transportation are also provided under Acıbadem Accident.

Acıbadem School: It is designed so that the child can continue his/her education in the event that the person who is taking care of the education costs of the child dies. Insurance duration is determined with consideration of the child's education duration and insurance guarantee is determined with consideration of education costs which might emerge during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insurer. Within the framework of this product, disability guarantee due to the accident can also be provided.

Goknar Annual Life Insurance: In this product whose insurance duration is one year, the death risk of the insurer in one year is taken under indemnity. Indemnity and premiums can be selected as Turkish Lira, US Dollar and Euro in the policy.

Acıbadem Credit: It is designed for the payment of bank loan taken for house purchases in the event that the person who got the credit dies and for the rest of the family not to suffer. Insurance period is determined with consideration of the credit period and the insurance indemnity is determined with the consideration of loan amount to be paid during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insuree. Within the framework of this product, disability guarantee due to the accident can also be provided.

Investment contracts

Acıbadem Savings: In this product where insurance period can be selected between 10 years and 30 years, the possibilities of death and life for the insured during the insurance period are taken under guarantee. Depending on the payment terms, it is separated into two: with regular premium payment term and with single premium payment term. Death indemnities can change depending on the selection. In Acıbadem Savings product with regular premium payment term, all the premiums paid until the death time together with the profit margins up until that time is paid as death indemnity. In Acıbadem Savings with single premium payment term, in the event of death, death indemnity which is the 10 times of the single premium and the cumulative profit margins up until death time.

5 Management of insurance risk *(continued)*

Investment contracts *(continued)*

Acıbadem Future: Acıbadem future is guaranteeing the situations such as death or disability of the insured within the insurance period, or survival of the insured at the end of the insurance period. The main difference from other savings life insurance products is the fact that it guarantees both the death or disability and survival of the insured at the end of the insurance period. at the beginning of the policy or when required, risk evaluation is made and guarantee is provided with the selected numbers annually. Up to 150, 300 or 600 times of the monthly premium can be provided as death and disability guarantees.

Ekin Savings Insurance: This is an investment and savings product which depends on savings completely, under the Capital redemption insurances. It provides capital accumulation with the payments starting from today so as to reach a certain capital for a certain term and goal. It covers requirements for regular income provision in short and middle term. It is utterly for savings and therefore has no risk indemnity and risk costs at all.

Reinsurance contracts

Reinsurance contracts are the contracts which are signed by the Group for the losses which might stem from one or more insurance contracts, and which put into force by the Group and reinsurance company, whose costs have been paid and which meets all the requirements to be categorised as insurance contracts.

The Group increased its retention in health branch from 60% to 100% starting from 1 January 2012 in parallel to the strategic restructuring policies of the main reinsurer which also suited to the Group’s positioning in the market. On the other hand, the Group signed excess of loss non-proportional reinsurance contracts in order to protect itself against catastrophic (“Cat XL”) damages in health branch. In CAT XL non-proportional reinsurance contracts signed by the Group in health branch, the reinsurer company is Arch Re for 2013.

Starting from 1 January 2013, in health branch, the Group also signed excess of loss reinsurance agreement with Munich Re under which the claims exceeding TL 100,000 on an insured basis will be ceded to reinsurer up to TL 600,000.

While the main reinsurer in proportional reinsurance contracts in life, critical illness and personal accident branches and Cat XL reinsurance contracts in life and personal accident branches was Milli Reasürans TAS (“Milli Re”) in 2012, the Company changed its reinsurer to Scor Global Life SE at the beginning of 2013 for those protections. The Group cedes only risk based life and personal accident insurance policies (death and other additional insured risks) through the reinsurance of the risks. Since technical profitability of risk based life insurance policies is high, maximum retention amount determined based on actuarial calculations is held by the Group in its conservation and the amount exceeding maximum retention amount is ceded to reinsurance companies through surplus treaties.

(Currency: Turkish Lira (TL))

5 Management of insurance risk *(continued)*

Reinsurance companies

Reinsurance companies, providing reinsurance protection against health, life, personal accident and critical illness insurance risks are the one of the most important service providers of the Group. The decisive criteria for the relationship with reinsurers are as follows:

i) Financial strength,

ii) Long-term relationship approach,

iii) Competitive prices,

iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts,

v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

Performance of the reinsurance companies in treaty agreements is evaluated for each year by considering the payment performance of the reinsurers for the claims paid and other due payables to the Group. Performance of the reinsurance companies in facultative agreements is evaluated by considering capacity provided to the Group, speed in operational reinsurance transactions, and technical and market information provided to the Group. In case where the performance of the reinsurer is not assessed as adequate, the Group decides on to agree with alternative reinsurance companies.

The latest credit rating grades of these companies can be seen in the table below.

	Standard & Poors			AM Best		
Company	**Grade**	**Outlook**	**Date**	**Grade**	**Outlook**	**Date**
Millî Re	AA+	Stable	5 April 2013	B+	Stable	5 April 2013
Munich Re	AA-	Stable	22 December 2006	A+	Stable	7 September 2007
Scor Re	A+	Stable	4 June 2012	A+	Stable	2 May 2012

Insurance risk accepted by the Group in accordance with their total amounts and numbers are presented in the below table. The Group management believes that the distribution of the insurance risk in terms of their total amounts and numbers are satisfactory.

	31 March 2013		31 December 2012	
	Insurance risk (TL)	**Number**	**Insurance risk (TL)**	**Number**
Death due to accident	1,502,600,294	38.733	1,356,838,089	38.605
Disability due to accident	1,408,909,386	37.882	1,263,712,457	37.741
Disability due to accident(Earthquake included)	1,256,267,230	20.908	967,250,100	20.221
Death due to accident(Earthquake included)	1,250,967,230	20.908	961,950,100	20.221
Death	1,160,104,498	21.424	923,110,095	20.632
Disability due to illness	1,078,002,936	18.364	837,943,376	17.415
Broken/Burn	3,300,000	660	7,700,000	1.540
Critical illness	6,637,081	119	6,711,831	124
Treatment costs due to accident	2,669,442	730	3,469,841	1.470
Daily hospital benefit due to accident	99,000	660	231,000	1.540
Daily damages	9,060	152	8,470	155
Daily disability due to accident	9,060	152	8,470	155

6 Management of financial risk

Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital. The Group has exposure to the following risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most significant components of these financial risks are:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the Group's internal audit and internal control functions. The Group's finance and management reporting department is responsible from monitoring and management of financial risk that the Group faces, preparing financial risk analysis of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Group is exposed to credit risk are:

- cash and cash equivalents (except for cash on hand),
- financial assets at fair value through profit or loss,
- available-for-sale financial assets,
- held to maturity investment securities,
- loans and receivables,
- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid and commissions,
- amounts due from insurance contract holders,
- amounts due from insurance intermediaries, and
- other receivables.

Reinsurance is utilised to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of the contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Credit risk *(continued)*

The carrying amount of assets represents the maximum credit exposure. As at 31 March 2013 and 31 December 2012, the maximum exposure to credit risk is:

	Carrying amount	
	31 March 2013	**31 December 2012**
Premium and other insurance receivables *(Note 10,11)*	113,149,102	43,715,003
Financial assets owned by the Group *(Note 8)*	98,061,358	75,812,030
Cash and cash equivalents *(Note 7)*	65,020,423	55,977,866
Fin. assets backing inv. contract liabilities *(Note 8)*	31,736,781	39,884,940
Cast at banks pledged in favour of the Turkish Treasury *(Note 8)*	23,685,553	23,212,065
Claims provision, reinsurers' share *(Note 23)*	3,955,873	3,554,988
Income accruals *(Note 13)*	2,724,692	770,815
Miscellaneous receivables *(Note 13)*	108,423	171,058
Advances given *(Note 13)*	82,407	160,726
Due from related parties *(Note 13)*	70,846	82,375
Deposits given *(Note 13)*	67,720	58,291
Total	**338,663,178**	**243,400,157**

Since the Group operates only in Turkey, geographic concentration of the maximum exposure to credit risk for premium and other insurance receivables at the reporting date is domestic. The Group's securities portfolio mainly consists of TL and foreign currency (FC) denominated government bonds, treasury bills and Eurobonds issued by the Turkish Government. Those securities are accepted as having low credit risk. The Group also has private sector corporate bonds of some private Turkish banks and industrial companies whose credit ratings are high compared to other companies located in Turkey. The Group only invests in the corporate bonds of the private companies which accomplish certain financial criteria set by the Group.

As at 31 March 2013 and 31 December 2012, the aging of premium and other insurance receivables and due from reinsurance companies is:

	31 Mart 2013		31 December 2012	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	97,611,297	-	40,037,022	-
Past due 0-30 days	13,112,422	-	3,157,456	-
Past due 31-60 days	282,722	-	501,267	-
Past due 61-180 days	850,424	(635,212)	1,131,513	(1,112,255)
Past due 180-365 days	3,458,042	(1,673,329)	883,157	(883,157)
More than one year	3,724,117	(3,581,381)	3,645,336	(3,645,336)
Total	**119,039,024**	**(5,889,922)**	**49,355,751**	**(5,640,748)**

For the period ended 31 March 2013 and 31 December 2012, the movements in the allowance for impairment in premium and other insurance receivables and due from insurance and reinsurance companies is as follows:

	31 Mart 2013	**31 December 2012**
Balance at the beginning of the period/year *(Note 10,11)*	(5,640,748)	(4,342,732)
Collections during the period/year	142,138	12,530
Impairment loss recognised during the period/year	(391,312)	(1,310,546)
Balance at the end of the period/year *(Note 10,11)*	**(5,889,922)**	**(5,640,748)**

The Group cancels the policies where premiums are accrued but not collected within a certain period of time, and deducts them from the gross premiums and from the premium and other insurance receivables.

6 Management of financial risk *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations of its financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity position on a daily basis, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The following table provides an analysis of monetary liabilities of the Group into relevant maturity groupings based on the remaining periods to repayments. The figures show the undiscounted cash flows of the Group's monetary liabilities on the basis of their earliest possible contractual maturity.

31 March 2013	**Carrying amounts**	**Contractual amounts**	**Up to 1 month**	**1 to 3 month**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Financial liabilities	19,394,565	19,400,612	19,400,612	-	-	-	-
Insurance liabilities including the payables to medical networks	32,386,851	32,511,000	24,466,164	7,617,936	426,900	-	-
Investment contract liabilities	31,257,808	31,257,808	2,680,185	448,294	749,090	2,452,659	24,927,580
Outstanding claims provision	13,665,000	13,665,000	3,645,352	7,270,259	21,508	503,713	2,224,168
Other provisions and employee benefits	9,141,107	9,141,107	935,717	606,840	740,940	4,162,730	2,694,880
Other payables	3,988,306	3,988,306	1,976,078	1,534,768	-	-	477,460
Total monetary liabilities	**109,833,637**	**109,963,833**	**53,104,108**	**17,478,097**	**1,938,438**	**7,119,102**	**30,324,088**

31 December 2012	**Carrying amounts**	**Contractual amounts**	**Up to 1 month**	**1 to 3 month**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Financial liabilities	26,039,450	26,057,997	26,057,997	-	-	-	-
Insurance liabilities including the payables to medical networks	28,906,590	28,906,590	24,814,049	4,092,541	-	-	-
Investment contract liabilities	32,605,934	32,605,934	2,578,441	656,423	713,493	1,508,061	27,149,516
Outstanding claims provision	11,971,326	11,971,326	545,164	855,021	66,198	1,303,414	9,201,529
Other provisions and employee benefits	10,452,500	10,452,500	223,695	3,684,783	689,978	5,527,917	326,127
Other payables	3,316,309	3,316,309	1,858,852	956,961	-	-	500,496
Income taxes payable	1,763,691	1,763,691	-	1,763,691	-	-	-
Total monetary liabilities	**115,055,800**	**115,074,347**	**56,078,198**	**12,009,420**	**1,469,669**	**8,339,392**	**37,177,668**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Group is exposed to currency risk mainly on investment contracts, underwriting and reinsurance activities denominated in US Dollar and Euro other than TL which is the functional currency of the Group. The Group also invests in financial assets denominated in the same currencies in relation to the insurance and investment contract liabilities.

6 Management of financial risk *(continued)*

Market risk *(continued)*

Currency risk (continued)

The Group is long in on-balance sheet position in US Dollar and Euro as a result of general characteristics of insurance sector in Turkey especially due to investment contracts issued in years that Turkey had hyperinflationary economy. It is not possible to match foreign currency denominated financial assets with foreign currency denominated investment contract liabilities on an ongoing basis, since the policyholders have right to withdraw their savings at any time after completing a certain time as defined in the regulations after inception of the contracts.

The Group's exposure to foreign currency position was as follows based on notional amounts (TL equivalents):

31 March 2013	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	5,222	6,750	11,972
Loans and receivables	524,386	23,627	548,013
Investment securities	18,259,223	527,873	18,787,096
Premiums and other insurance receivables	1,233,372	328,225	1,561,597
Other receivables	-	13,315	13,315
Total foreign currency denominated monetary assets	**20,022,203**	**899,790**	**20,921,993**
Due to reinsurance companies	-	178,935	178,935
Outstanding claims provision	1,241,750	-	1,241,750
Investment contract liabilities	13,726,248	598,530	14,324,778
Other liabilities	142,072	27,771	169,843
Total foreign currency denominated monetary liabilities	**15,110,070**	**805,236**	**15,915,306**
Net on-balance sheet position	**4,912,133**	**94,554**	**5,006,687**
Net off-balance sheet position	**(5,603,353)**	**-**	**(5,603,353)**
Net long/(short)position	**(691,220)**	**94,554**	**(596,666)**

31 December 2012	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	4,351	1	4,352
Loans and receivables	498,587	-	498,587
Investment securities	14,047,915	686,055	14,733,970
Premiums and other insurance receivables	1,711,516	151,132	1,862,648
Other receivables	-	15,501	15,501
Total foreign currency denominated monetary assets	**16,262,369**	**852,689**	**17,115,058**
Insurance liabilities	157,481	29,340	186,821
Outstanding claims provision	1,704,341	42,151	1,746,492
Investment contract liabilities	12,900,623	562,226	13,462,849
Total foreign currency denominated monetary liabilities	**14,762,445**	**633,717**	**15,396,162**
Net on-balance sheet position	**1,499,924**	**218,972**	**1,718,896**

10% devaluation of the TL against the following currencies as at 31 March 2013 and 31 December 2012 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. If TL evaluates against other currencies by 10%, the effect will be the reverse of the following amounts.

	31 March 2013		31 March 2012	
	Equity(*)	Profit or loss	Equity(*)	Profit or loss
US Dollar	(69,122)	(12,965)	115,370	208,905
Euro	9,455	9,213	22,664	16,869
Total, net	**(59,667)**	**(3,752)**	**138,034**	**225,774**

(*) Equity effect includes the profit or loss effect of 10% devaluation of the TL against related currencies.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows due to changes in market interest rates and to which trading portfolios are exposed is the risk of loss from fluctuations in the fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands.

As at 31 March 2013 and 31 December 2012, interest rate profile of the Group's interest earning and interest-bearing financial instruments is:

	Carrying amount	
	31 March 2013	**31 December 2012**
Financial assets with fixed interest rates		
Cash at banks *(Note 7)*	59,103,267	49,283,755
Cash at banks pledged in favour of the Turkish Treasury *(Note 8)*	23,685,553	23,212,065
Cash at banks with original maturity more than 3 months *(Note 8)*	42,723,427	18,573,173
Loans to the policyholders *(Note 10)*	725,103	727,653
FAAFTPL – government bonds issued by the Turkish Government *(Note 8)*	4,392,656	25,680
Available-for-sale fin. assets – government bonds issued by the Turkish Government *(Note 8)*	7,921,944	11,410,970
Available-for-sale fin. assets – FC private sector corporate bonds *(Note 8)*	5,791,091	-
Available-for-sale fin. assets – TL private sector corporate bonds *(Note 8)*	1,759,379	1,687,989
Held to maturity financial assets – government bonds *(Note 8)*	4,446,921	-
FAAFTPL backing inv. contracts – government bonds *(Note 8)*	-	4,560,609
FAAFTPL backing investment contracts – Eurobonds *(Note 8)*	202,828	561,569
Available-for-sale financial assets backing investment contracts – government bonds *(Note 8)*	13,240,557	9,541,274
Available-for-sale financial assets backing investment contracts – TL private sector corporate bonds *(Note 8)*	240,429	236,627
Available-for-sale financial assets backing investment contracts – Eurobonds *(Note 8)*	8,835,861	10,021,908
Available-for-sale financial assets backing investment contracts – FC private sector corporate bonds *(Note 8)*	3,446,747	4,150,493
Loans and receivables backing inv. cont. liab. – time deposit *(Note 8)*	5,770,359	5,916,861
Held to maturity financial assets backing investment contracts – government bonds *(Note 8)*	-	4,565,908
Financial assets with variable interest rates		
FAAFTPL – TL private sector corporate bonds *(Note 8)*	1,525,486	1,420,345
Available-for-sale financial assets – debt securities indexed to consumer price index *(Note 8)*	23,323,550	36,668,773
Available-for-sale fin. assets – TL private sector cor. bonds *(Note 8)*	3,684,444	3,610,605
Available-for-sale financial assets backing investment contracts – TL private sector corporate bonds *(Note 8)*	-	262,017
Available-for-sale financial assets backing investment contracts – government bonds *(Note 8)*	-	67,674
Held to maturity financial assets – government bonds *(Note 8)*	2,489,058	2,407,790
Financial liabilities with fixed interest rates		
– Obligations under repurchase agreements *(Note 9)*	**19,385,691**	**26,039,450**

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Fair value sensitivity analysis for financial instruments

The Group classified both financial assets owned by the Group and financial assets backing investment contract liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investment securities. Financial assets at fair value through profit or loss and available-for-sale financial assets both owned by the Group and backing investment contract liabilities are subject to market risk due to change in market interest rates. Profit or loss and equity effects (without tax effects) of 100 bp changes in interest rates are shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. This analysis is performed on the same basis as at and for the three-month period ended 31 March 2012.

	31 March 2013			
	Profit or loss		**Equity(*)**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit and loss	(16,201)	16,627	(16,201)	16,627
Available-for-sale financial assets	17,328	(17,328)	(1,783,823)	1,928,406
Financial assets at fair value through profit and loss backing investment contract liabilities	(1,170)	1,226	(1,170)	1,226
Available-for-sale financial assets backing investment contract liabilities	-	-	(126,610)	133,856
Total	**(43)**	**525**	**(1,927,804)**	**2,080,114**

	31 March 2012			
	Profit or loss		**Equity(*)**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit and loss	(65,396)	67,168	(65,396)	67,168
Available-for-sale financial assets	13,500	(13,500)	(2,456,663)	2,649,288
Financial assets at fair value through profit and loss backing investment contract liabilities	(5,723)	6,074	(5,723)	6,074
Available-for-sale financial assets backing investment contract liabilities	388	(388)	(327,182)	356,062
Total	**(57,231)**	**59,354**	**(2,854,964)**	**3,078,592**

(*) Equity effect also includes profit or loss effect of the changes in interest rates.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

The fair values of financial assets and liabilities:

The Group has reclassified its quoted marketable securities as either financial assets at fair value through profit or loss or as available-for-sale financial assets in the accompanying consolidated interim financial statements and measured based on quoted market prices at the reporting date. The Group has also measured its investment contract liabilities based on the market prices of those underlying securities classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

The Group management believes that carrying values of other financial assets and financial liabilities are reasonable approximation of their fair values, considering their average maturities.

Classification of fair value measurement

IFRS 7 – *Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Group. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs)

Classification requires using observable market data if possible.

	31 March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	5,921,544	-	-	5,921,544
Available-for-sale financial assets *(Note 8)*	42,480,408	-	-	42,480,408
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	202,828	-	-	202,828
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	25,763,594	-	-	25,763,594
Total financial assets measured at fair value	**74,368,374**	**-**	**-**	**74,368,374**
Financial liabilities:				
Derivative financial instruments held for trading purposes *(Note 9)*	-	8,874	-	8,874
Investment contract liabilities	28,816,029	-	-	28,816,029
Total financial liabilities measured at fair value	**28,816,029**	**8,874**	**-**	**28,824,903**

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Classification of fair value measurement (continued)

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	1,452,730	-	-	1,452,730
Available-for-sale financial assets *(Note 8)*	53,378,337	-	-	53,378,337
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	5,122,178	-	-	5,122,178
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	24,279,993	-	-	24,279,993
Total financial assets measured at fair value	**84,233,238**	**-**	**-**	**84,233,238**
Financial liabilities:				
Investment contract liabilities	23,989,886	-	-	23,989,886
Total financial liabilities measured at fair value	**23,989,886**	**-**	**-**	**23,989,886**

Capital management

The Group’s capital management policies include the following:

- to comply with the insurance capital requirements required by the Turkish Treasury;
- to safeguard the Group’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In accordance with the “Circular regarding the measurement and assessment of capital adequacy of insurance, reinsurance and individual pension companies” issued by the Turkish Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, capital requirement is measured on a semi annually and standalone basis based on the statutory financial statements of insurance companies.

Accordingly, the Group has measured its minimum capital requirement as at 31 December 2012 amounted to TL 68,440,168. As at 31 December 2012 the Company’s total equity in its statutory financial statements amounted to TL 71,350,645, TL that exceeds the minimum capital requirement amount.

7 Cash and cash equivalents

As at 31 March 2013 and 31 December 2012, cash and cash equivalents are as follows:

	31 March 2013	31 December 2012
Cash on hand	26,219	2,195
Credit card receivables	5,287,152	4,958,361
Cash at banks	59,733,271	51,019,505
Cash and cash equivalents	**65,046,642**	**55,980,061**
Interest income accruals on cash at banks	(270,355)	(228,515)
Cash and cash equivalents in the consolidated statement of cash flows	**64,776,287**	**55,751,546**

As at 31 March 2013 and 31 December 2012, cash at banks are further analyzed as follows:

	31 March 2013	31 December 2012
Foreign currency denominated bank deposits		
- demand deposits	11,972	4,352
	11,972	**4,352**
Bank deposits in Turkish Lira		
- demand deposits	618,032	1,731,398
- time deposits	59,103,267	49,283,755
	59,721,299	**51,015,153**
Total	**59,733,271**	**51,019,505**

As at 31 March 2013, the Group has TL 23,685,553 (31 December 2012: TL 23,212,065) blocked deposits in favour of the Turkish Treasury *(Note 8, 31)* which is recorded as loans and receivables under investment securities in the accompanying consolidated interim financial statements.

As at 31 March 2013 and 31 December 2012, interest rate interval for time deposits is as follows:

	Interest rate per annum (%)	
	31 March 2013	31 December 2012
TL	4.00 – 8.05	5.00 – 13.25

(Currency: Turkish Lira (TL))

8 Investment securities

As at 31 March 2013 and 31 December 2012, the investment portfolio of the Company is as follows:

	31 March 2013	31 December 2012
Financial assets at fair value through profit or loss	6,124,372	6,574,908
Investment securities	147,359,320	132,334,127
Total investment securities	**153,483,692**	**138,909,035**

	31 March 2013	31 December 2012
Group's own portfolio:		
Financial assets at fair value through profit or loss	5,921,544	1,452,730
Available-for-sale financial assets	42,480,408	53,378,337
Held-to-maturity investments	6,935,979	2,407,790
Loans and receivables	66,408,980	41,785,238
Total Group's own portfolio	**121,746,911**	**99,024,095**
Financial assets backing investment contract liabilities:		
Financial assets at fair value through profit or loss	202,828	5,122,178
Available-for-sale financial assets	25,763,594	24,279,993
Held-to-maturity investments	-	4,565,908
Loans and receivables	5,770,359	5,916,861
Total financial assets backing investment contract liabilities	**31,736,781**	**39,884,940**
Total investment securities	**153,483,692**	**138,909,035**

As at 31 March 2013 and 31 December 2012, the Group's own portfolio is as follows:

	31 March 2013			
	Nominal value	Cost	Fair value	Carrying value
Fixed income securities:				
Government bonds – TL	4,106,200	4,354,213	4,392,656	4,392,656
Private sector corporate bonds – TL	1,500,000	1,511,822	1,525,486	1,525,486
Total fixed income securities		5,866,035	5,918,142	5,918,142
Non-fixed income securities:				
Investment funds – TL		3,134	3,402	3,402
Total non-fixed income securities		3,134	3,402	3,402
Financial assets at fair value through profit or loss		**5,869,169**	**5,921,544**	**5,921,544**
Fixed income securities:				
Government bonds subject to repurchase transactions – TL	15,447,855	19,610,372	19,870,610	19,870,610
Government bonds – TL	9,346,303	9,826,026	11,374,884	11,374,884
Private sector corporate bonds – FC	5,426,100	5,603,353	5,791,091	5,791,091
Private sector corporate bonds – TL	5,326,711	5,349,134	5,443,823	5,443,823
Available-for-sale financial assets		**40,388,885**	**42,480,408**	**42,480,408**
Fixed income securities:				
Government bonds – TL	6,340,343	6,348,265	8,271,131	6,935,979
Held to maturity investment securities		**6,348,265**	**8,271,131**	**6,935,979**
Cash at banks with original maturity more than 3 months		42,026,067	42,723,427	42,723,427
Cash at banks pledged in favour of the Turkish Treasury		23,449,723	23,685,553	23,685,553
Loans and receivables		**65,475,790**	**66,408,980**	**66,408,980**
Total Group's own portfolio		**118,082,109**	**123,082,063**	**121,746,911**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2012			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Government bonds – TL	23,000	25,070	25,680	25,680
Private sector corporate bonds – TL	1,400,000	1,412,500	1,420,345	1,420,345
Total fixed income securities		1,437,570	1,446,025	1,446,025
Non-fixed income securities:				
Investment funds – TL		6,198	6,705	6,705
Total non-fixed income securities		6,198	6,705	6,705
Financial assets at fair value through profit or loss		**1,443,768**	**1,452,730**	**1,452,730**
Fixed income securities:				
Government bonds subject to repurchase transactions – TL	20,767,360	23,653,490	26,671,819	26,671,819
Government bonds – TL	17,353,397	18,553,603	21,407,924	21,407,924
Private sector corporate bonds – TL	5,209,605	5,129,943	5,298,594	5,298,594
Available-for-sale financial assets		**47,337,036**	**53,378,337**	**53,378,337**
Fixed income securities:				
Government bonds – TL	2,011,000	1,972,823	2,935,551	2,407,790
Held to maturity investment securities		**1,972,823**	**2,935,551**	**2,407,790**
Cash at banks with original maturity more than 3 months		18,500,000	18,573,173	18,573,173
Cash at banks pledged in favour of the Turkish Treasury		23,083,216	23,212,065	23,212,065
Loans and receivables		**41,583,216**	**41,785,238**	**41,785,238**
Total Group's own portfolio		**92,336,843**	**99,551,856**	**99,024,095**

As at 31 March 2013 and 31 December 2012, financial assets backing investment contract liabilities are as follows:

	31 March 2013			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Eurobonds issued by the Turkish Government	180,874	175,511	202,828	202,828
Financial assets at fair value through profit or loss		**175,511**	**202,828**	**202,828**
Fixed income securities:				
Government bonds – TL	11,548,204	12,256,138	13,240,557	13,240,557
Eurobonds issued by the Turkish Government	7,676,593	8,703,264	8,835,861	8,835,861
Private sector corporate bonds – FC	3,210,443	3,266,172	3,446,747	3,446,747
Private sector corporate bonds – TL	250,000	229,470	240,429	240,429
Available-for-sale financial assets		**24,455,044**	**25,763,594**	**25,763,594**
Cash at banks – TL		5,248,173	5,259,790	5,259,790
Cash at banks – FC		497,012	510,569	510,569
Loans and receivables		**5,745,185**	**5,770,359**	**5,770,359**
Total financial assets backing investment contract liabilities		**30,375,740**	**31,736,781**	**31,736,781**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2012			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Government bonds – TL	4,083,200	4,329,143	4,560,609	4,560,609
Eurobonds issued by the Turkish Government	477,395	464,060	561,569	561,569
Financial assets at fair value through profit or loss		**4,793,203**	**5,122,178**	**5,122,178**
Fixed income securities:				
Government bonds – TL	8,302,411	8,659,908	9,608,948	9,608,948
Private sector corporate bonds – TL	500,000	479,470	498,644	498,644
Private sector corporate bonds – FC	3,796,938	3,865,153	4,150,493	4,150,493
Eurobonds issued by the Turkish Government	8,330,743	9,735,157	10,021,908	10,021,908
Available-for-sale financial assets		**22,739,688**	**24,279,993**	**24,279,993**
Fixed income securities:				
Government bonds – TL	4,329,343	4,375,442	5,493,180	4,565,908
Held-to-maturity investments		**4,375,442**	**5,493,180**	**4,565,908**
Cash at banks – TL		5,412,321	5,418,274	5,418,274
Cash at banks – FC		489,840	498,587	498,587
Loans and receivables		**5,902,161**	**5,916,861**	**5,916,861**
Total financial assets backing investment contract liabilities		**37,810,494**	**40,812,212**	**39,884,940**

As at 31 March 2013 and 31 December 2012, foreign currency denominated securities are as follows:

	Amount in original currency		**TL equivalent**	
	31 March 2013	**31 December 2012**	**31 March 2013**	**31 December 2012**
US Dollar	10,095,219	7,880,576	18,259,223	14,047,915
EUR	227,640	291,727	527,873	686,055
Total			**18,787,096**	**14,733,970**

As at 31 March 2013 and 31 December 2012, interest rates for the investment securities are as follows:

	31 March 2013	**31 December 2012**
Financial assets at fair value through profit and loss:		
Government bonds and treasury bills owned by the Group	10.14% -15.53%	15.53%
Private sector corporate bonds owned by the Group	7.55% -9.20%	4.17% - 8.33%
Government bonds and treasury bills backing inv. contract liabilities	-	10.14% - 13.50%
Corporate bonds backing investment contracts	-	5.36% - 8.05%
Eurobonds issued by the Turkish Government backing inv. contract liabilities	5.86% - 6.02%	-
Corporate bonds owned by the Group	7.52% -7.71%	-
Available-for-sale financial assets:		
Government bonds and treasury bills owned by the Group	5.98% -10.94%	5.81% - 10.41%
Government bonds and treasury bills backing inv. contract liabilities	7.88% -10.61%	7.88% - 10.91%
Private sector corporate bonds owned by the Group	6.53% -12.31%	5.90% - 10.64%
Private sector corporate bonds backing investment contract liabilities	8.31%	8.02% - 11.53%
Eurobonds issued by the Turkish Government backing inv. contracts	2.5% -7.08%	2.50% - 7.08%
Held to maturity investment securities:		
Government bonds and treasury bills owned by the Group	10.32% -11.71%	10.46% - 10.66%
Government bonds and treasury bills backing inv. contract liabilities	-	10.32% - 10.65%

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

As at 31 March 2013 and 31 December 2012, the movement of securities is follows:

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 March 2013	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the period	**1,452,730**	**53,378,337**	**2,407,790**	**5,122,178**	**24,279,993**	**4,565,908**	**91,206,936**
Foreign currency differences of financial assets	-	135,383	-	(3,009)	173,875	-	306,249
Acquisitions during the period	510,388	37,986,932	-	-	325,759	-	38,823,079
Transfers	4,560,609	(3,911,120)	4,565,908	(4,560,609)	3,911,120	(4,565,908)	-
Disposals (either sold or settled)	(410,898)	(45,462,379)	-	(345,794)	(2,269,342)	-	(48,488,413)
Change in the fair value of financial assets	(191,285)	(23,363)	-	(9,938)	92,053	-	(132,533)
Change in amortised costs of the financial assets	-	376,618	(37,719)	-	(749,864)	-	(410,965)
Balance at the end of the period	**5,921,544**	**42,480,408**	**6,935,979**	**202,828**	**25,763,594**	**-**	**81,304,353**

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 December 2012	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the year	**4,547,516**	**44,975,497**	**6,794,665**	**662,480**	**33,312,422**	**-**	**90,292,580**
Foreign currency differences of financial assets	-	-	-	(19,954)	(250,510)	-	(270,464)
Acquisitions during the year	1,531,505	193,152,429	-	640,000	15,410,931	-	210,734,865
Transfers	(3,769,881)	6,662,839	(4,566,961)	3,769,881	(6,662,839)	4,566,961	-
Disposals (either sold or settled)	(862,214)	(197,148,671)	-	(133,016)	(19,234,333)	-	(217,378,234)
Change in the fair value of financial assets	5,804	4,143,270	-	202,787	1,816,561	-	6,168,422
Change in amortised costs of the financial assets	-	1,592,973	180,086	-	(112,239)	(1,053)	1,659,767
Balance at the end of the year	**1,452,730**	**53,378,337**	**2,407,790**	**5,122,178**	**24,279,993**	**4,565,908**	**91,206,936**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

Total securities blocked in favour of the Turkish Treasury are as follows:

	31 March 2013			
	Nominal value	Cost	Fair value	Carrying value
Financial assets backing investment contract liabilities	28,611,299	30,375,739	31,736,781	31,736,781
Available-for-sale financial assets owned by the Group	57,473	59,766	63,328	63,328
Financial assets at fair value through profit or loss owned by the Group	23,000	25,070	24,295	24,295
Total *(Note 31)*		**30,460,575**	**31,824,404**	**31,824,404**

	31 December 2012			
	Nominal value	Cost	Fair value	Carrying value
Financial assets backing investment contract liabilities	35,722,190	37,810,494	40,812,212	39,884,940
Available-for-sale financial assets owned by the Group	1,057,473	1,068,726	1,405,547	1,405,547
Financial assets at fair value through profit or loss owned by the Group	23,000	25,070	25,680	25,680
Total *(Note 31)*		**38,904,290**	**42,243,439**	**41,316,167**

9 Financial liabilities

As at 31 March 2013 and 31 December 2012, financial liabilities are as follows:

	31 March 2013	31 December 2012
Obligations under repurchase agreements	19,385,691	26,039,450
Derivative financial instruments held for trading purposes	8,874	-
Total financial liabilities	**19,394,565**	**26,039,450**

Obligations under repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

Assets sold under repurchase agreements comprise the following:

	31 March 2013		31 December 2012	
	Fair value of underlying assets	Carrying value of corresponding liabilities	Fair value of underlying assets	Carrying value of corresponding liabilities
Available for sale portfolio	19,870,610	19,385,691	26,671,819	26,039,450

As at 31 March 2013, accrued interest on obligations under repurchase agreements amounted to TL 4,420 (31 December 2012: TL 6,450) and is included in the carrying amount of corresponding liabilities.

(Currency: Turkish Lira (TL))

9 Financial liabilities *(continued)*

Derivative financial instruments held for trading purposes

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlyings, such as financial instrument prices, reference rates, commodity prices or indices. In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. Derivative financial instruments used include currency forwards, interest rate swaps, currency options and credit default swaps. The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date.

As at 31 December 2012 the Group does not have any derivative financial instruments held for trading purposes. As at 31 March 2013, notional amounts of derivative financial instruments held for trading purposes are as follows:

	31 March 2013				
	Maturity	**Currency purchased**	**Amount purchased**	**Currency sold**	**Amount sold**
Currency swaps	15 May 2013	TL	5,603,353	USD	3,098,000

As at 31 March 2012, derivative financial instruments held for trading purposes in a net payable position (negative fair value) amount to TL 8,874.

10 Premium and other insurance receivables

	31 March 2013	**31 December 2012**
Policyholders and intermediaries	101,739,871	37,017,171
Loans to the policyholders	725,103	727,653
Provision for overdue receivables *(Note 6)*	(5,557,732)	(5,308,558)
Total premium and other insurance receivables	**96,907,242**	**32,436,266**

The Group individually assesses all premium receivables for more than 60 days as impaired. Accordingly, as at 31 March 2013, the provision for overdue receivables amounting to TL 5,557,732 (31 December 2012: TL 5,308,558) including the doubtful receivables for which the Group has started to legal procedures, is provided in relation to premium and other insurance receivables.

11 Amounts due from/to insurance and reinsurance companies

As at 31 March 2013 and 31 December 2012, amounts due from and due to reinsurance companies comprised the followings:

Due from insurance and reinsurance companies	**31 March 2013**	**31 December 2012**
Neova Sigorta AŞ	5,869,512	-
Zurich Sigorta AŞ	5,081,453	10,537,085
SBN Sigorta AŞ	3,923,770	-
Munich Re	975,000	-
Milli Re	422,001	722,458
Others	302,314	351,384
Provision for overdue receivables *(Note 6)*	(332,190)	(332,190)
Total	**16,241,860**	**11,278,737**

Due to insurance and reinsurance companies	**31 March 2013**	**31 December 2012**
Munich Re	426,059	-
Global Benefits	289,804	-
Scor Re	206,758	-
Others	9,129	115
Total	**931,750**	**115**

(Currency: Turkish Lira (TL))

12 Payables to medical networks and other insurance payables

As at 31 March 2013 and 31 December 2012, other insurance payables comprised following:

	31 March 2013	31 December 2012
Payables to brokerage companies	1,648,209	973,734
Payables to agencies	1,388,447	1,178,738
Payables to policyholders	89,506	3,379,382
Total	**3,126,162**	**5,531,854**

As at 31 March 2013, the Group has TL 28,328,939 (31 December 2012: TL 23,374,621) payable to medical networks and pharmacies.

13 Other assets

As at 31 March 2013 and 31 December 2012, other assets comprised following:

	31 March 2013	31 December 2012
Income accruals (*)	2,724,692	770,815
Prepaid expenses	803,142	620,197
Prepaid taxes	154,820	-
Miscellaneous receivables	108,423	171,058
Advances given	82,407	160,726
Receivables from related parties *(Note 32)*	70,846	82,375
Deposits given	67,720	58,291
Stationary stocks	48,902	72,519
Other assets	-	7
Total	**4,060,952**	**1,935,988**

(*) Income accruals mainly include accruals for loss sharing in health agreements.

14 Investment properties, net

As at 31 March 2013 and 31 December 2012, the movement of investment property is as follows:

	31 March 2013	31 December 2012
Balance at 1 January	2,553,332	2,639,517
Depreciation for the period/year	(18,851)	(86,185)
Investment property at the end of period/year	**2,534,481**	**2,553,332**

Investment property of the Group, is hold either to earn income, or for capital appreciation or for both, instead of either for the Group’s operations or for management purposes or for sale during the regular operations. The investment property of the Group has dual purpose whereby ¼ part of the property is used for own-use activities and ¾ part of the property used as an investment property for rental income.

Investment property is initially measured at cost, less accumulated depreciation and impairment losses, if any.

As at 31 March 2013 and 31 December 2012, the fair value of the investment property is estimated as equal to its carrying value.

Rental income from investment properties for the three-month period ended 31 March 2013 is TL 56,089 (31 March 2012: TL 49,425).

(Currency: Turkish Lira (TL))

15 Property and equipment, net

For the three-month period ended 31 March 2013, the movement of property and equipment is as follows:

	1 January 2013	**Additions**	**Disposals**	**Write-offs**	**31 March 2013**
Cost:					
Building	725,055	-	-	-	725,055
Leasehold improvements	1,004,995	22,615	-	-	1,027,610
Furniture and fixtures	1,792,136	172,250	-	-	1,964,386
Tangible assets acquired through finance leases	283,293	-	-	-	283,293
	3,805,479	**194,865**	**-**	**-**	**4,000,344**
Accumulated depreciation:					
Building	(22,041)	(2,352)	-	-	(24,393)
Leasehold improvements	(265,261)	(42,945)	-	-	(308,206)
Furniture and fixtures	(758,314)	(77,219)	-	-	(835,533)
Tangible assets acquired through finance leases	(283,293)	-	-	-	(283,293)
	(1,328,909)	**(122,516)**	**-**	**-**	**(1,451,425)**
Net carrying value	**2,476,570**				**2,548,919**

For the year ended 31 December 2012, the movement of property and equipment is as follows:

	1 January 2012	**Additions**	**Disposals**	**Write-offs**	**31 December 2012**
Cost:					
Building	725,055	-	-	-	725,055
Leasehold improvements	614,522	759,962	-	(369,489)	1,004,995
Furniture and fixtures	2,125,414	918,439	(1,217,308)	(34,409)	1,792,136
Tangible assets acquired through finance leases	287,778	-	(4,485)	-	283,293
	3,752,769	**1,678,401**	**(1,221,793)**	**(403,898)**	**3,805,479**
Accumulated depreciation:					
Building	(22,041)	-	-	-	(22,041)
Leasehold improvements	(541,058)	(93,692)	-	369,489	(265,261)
Furniture and fixtures	(1,760,432)	(183,797)	1,172,167	13,748	(758,314)
Tangible assets acquired through finance leases	(287,778)	-	4,485	-	(283,293)
	(2,611,309)	**(277,489)**	**1,176,652**	**383,237**	**(1,328,909)**
Net carrying value	**1,141,460**				**2,476,570**

16 Intangible assets, net

For the three-month period ended 31 March 2013, the movement of intangible assets is as follows:

	1 January 2013	**Additions**	**Disposals**	**31 March 2013**
Cost:				
Rights	944	-	-	944
Computer software	2,265,926	27,866	-	2,293,792
	2,266,870	**27,866**	**-**	**2,294,736**
Accumulated amortisation:				
Rights	(93)	(12)	-	(105)
Computer software	(2,040,435)	(22,064)	-	(2,062,499)
	(2,040,528)	**(22,076)**	**-**	**(2,062,604)**
Net carrying value	**226,342**			**232,132**

(Currency: Turkish Lira (TL))

16 Intangible assets, net *(continued)*

For the year ended 31 December 2012, the movement of intangible assets is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights	944	-	-	944
Computer software	2,200,008	75,036	(9,118)	2,265,926
	2,200,952	**75,036**	**(9,118)**	**2,266,870**
Accumulated amortisation:				
Rights	(26)	(67)	-	(93)
Computer software	(1,894,662)	(150,942)	5,169	(2,040,435)
	(1,894,688)	**(151,009)**	**5,169**	**(2,040,528)**
Net carrying value	**306,264**			**226,342**

17 Investments in equity participations

	31 March 2013	Share %	31 December 2012	Share %
Akım Sigorta Aracılık Hizmetleri AŞ (in liquidation)	12,500	25.00	12,500	25.00
Yalın Sigorta Aracılık Hizmetleri AŞ (in liquidation)	12,500	25.00	12,500	25.00
Saf Sigorta Aracılık Hizmetleri AŞ (in liquidation)	12,500	25.00	12,500	25.00
Total	**37,500**		**37,500**	
Impairment on equity participations	(37,500)		(37,500)	
Investments in equity participations (net)	-		-	

The Group classified the investment in equity participations as available-for-sale financial assets and recognised impairment for these investments because of the objective evidence that they are impaired. These investments are in liquidation process and their net asset values are turned to negative.

Key financial information derived from subsidiaries' unaudited financial statements as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013				31 December 2012			
Subsidiaries	**Total assets**	**Total equity**	**Accumulated losses**	**Loss for the period**	**Total assets**	**Total equity**	**Accumulated losses**	**Loss for the year**
Akım Sigorta Aracılık Hizmetleri AŞ	12,203	1,766	(10,214)	(188)	12,203	1,954	(9,404)	(810)
Yalın Sigorta Aracılık Hizmetleri AŞ	1,940	(2,793)	(14,649)	(297)	1,940	(2,496)	(13,899)	(750)
Saf Sigorta Aracılık Hizmetleri AŞ	6,660	2,908	(9,218)	(188)	6,660	3,096	(7,980)	(1,238)

The Company has started the related processes for the end of liquidation process of mentioned equity participations and expects to finalize those processes within 2 to 3 months.

18 Income taxes

As at 31 March 2013 and 31 December 2012, prepaid income taxes are netted off with the current income tax payable as stated below:

	31 March 2013	31 December 2012
Income taxes payable	7,753,006	7,689,495
Prepaid income taxes	(7,753,006)	(5,925,804)
Income taxes payable	-	**1,763,691**

The Group has not taxable income as at and for the three month period ended 31 March 2013.

(Currency: Turkish Lira (TL))

18 Income taxes *(continued)*

As at 31 March 2013 and 31 December 2012, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	Deferred tax assets/(liabilities)	
	31 March 2013	**31 December 2012**
Technical provisions	1,313,194	798,498
Provision for overdue premium receivables	526,909	482,190
Provision for legal cases	373,867	370,789
Tax losses carried forward	311,717	-
Bonus provision	309,000	483,000
Reserve for vacation pay liability and employee severance indemnity	254,537	203,221
Impairment for investment properties	115,760	115,760
Difference in valuation of financial assets	91,386	126,059
Impairment for associates	7,500	7,500
Profit/loss sharing provisions	(112,825)	279,151
Others	79,682	407,129
Deferred tax assets, net	**3,270,727**	**3,273,297**

Income tax expenses for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	**31 March 2012**
Income tax expense recognised in profit or loss:		
- Current tax charge	(710,553)	-
- Deferred tax benefit/(charge)	13,100	(750,839)
Income tax expenses	**(697,453)**	**(750,839)**

As at and for the three-month period ended 31 March 2013 and 2012, movement of deferred tax balances are as follows:

	31 December 2012	**Recognised in profit or loss**	**Recognised in other comp. income**	**31 March 2013**
Technical provisions	798,498	1,162,378	(647,682)	1,313,194
Provision for overdue premium receivables	482,190	44,719	-	526,909
Provision for legal cases	370,789	3,078	-	373,867
Carry forward tax losses	-	311,717	-	311,717
Bonus provision	483,000	(174,000)	-	309,000
Reserve for vacation pay liability and employee severance indemnity	203,221	51,316	-	254,537
Impairment for investment properties	115,760	-	-	115,760
Difference in valuation of financial assets	126,059	(666,685)	632,012	91,386
Impairment for associates	7,500	-	-	7,500
Profit/loss sharing provisions	279,151	(391,976)	-	(112,825)
Others	407,129	(327,447)	-	79,682
Deferred tax assets, net	**3,273,297**	**13,100**	**(15,670)**	**3,270,727**

(Currency: Turkish Lira (TL))

18 Income taxes *(continued)*

	31 December 2011	**Recognised in profit or loss**	**Recognised in other comp. income**	**31 March 2012**
Technical provisions	476,759	(20,604)	18,607	474,762
Bonus provision	360,000	(134,863)	-	225,137
Provision for overdue premium receivables	521,122	8,528	-	529,650
Provision for legal cases	220,832	217,818	-	438,650
Reserve for vacation pay liability and employee severance indemnity	130,933	22,628	-	153,561
Difference in valuation of financial assets	354,149	243,411	(360,546)	237,014
Impairment for investment properties	115,760	-	-	115,760
Diminution in value of associates	7,500	-	-	7,500
Carry forward tax losses	2,012,803	(959,247)	-	1,053,556
Claims reserve (Actuarial chain ladder method)	117,718	(117,718)	-	-
Tax incentives	64,947	423	-	65,370
Others	27,713	(11,215)	-	16,498
Deferred tax assets, net	**4,410,236**	**(750,839)**	**(341,939)**	**3,317,458**

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	31 March 2013	**%**	**31 March 2012**	**%**
Profit before taxes	3,520,837		3,687,051	
Taxes on income per statutory tax rate	(704,167)	20.00	(737,410)	20.00
Non-deductible expenses and tax exempt income	6,714	(0.19)	(13,429)	0.36
Income tax expenses	**(697,453)**	**19.81**	**(750,839)**	**20.36**

19 Deferred acquisition costs

As at 31 March 2013 and 31 December 2012, deferred acquisition costs are as follows:

	31 March 2013	**31 December 2012**
Deferred commission expenses	8,351,005	4,400,990
Deferred other acquisition costs	1,114,464	968,094
Deferred acquisition costs	**9,465,469**	**5,369,084**

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Commissions and other costs (for example, salaries of certain employees involved in direct sales functions) that are primarily related to insurance contracts issued or renewed during the period in which the costs are incurred are considered as acquisition costs and deferred over the life of the insurance contracts.

As at 31 March 2013 and 31 December 2012, movements of deferred commission expenses, are as follows:

	31 March 2013	**31 December 2012**
Deferred commission expenses at the beginning of the period/year	4,400,990	4,217,919
Expenses deferred during the period/year	7,586,692	13,773,815
Amortisation	(3,636,677)	(13,590,744)
Deferred commission expenses at the end of the period/year	**8,351,005**	**4,400,990**

(Currency: Turkish Lira (TL))

19 Deferred acquisition costs *(continued)*

As at 31 March 2013 and 31 December 2012, movements of deferred other acquisition costs, are as follows:

	31 March 2013	31 December 2012
Deferred other acquisition costs at the beginning of the period/year	968,094	861,000
Expenses deferred during the period/year	667,108	3,072,218
Amortisation	(520,738)	(2,965,124)
Deferred other acquisition costs at the end of the period/year	**1,114,464**	**968,094**

20 Employee benefits

As at 31 March 2013 and 31 December 2012, employee benefits are as follows:

	31 March 2013	31 December 2012
Bonus provision	1,545,000	2,400,000
Reserve for vacation pay liability	822,861	689,978
Reserve for employee severance indemnity	449,825	326,128
Total employee benefits	**2,817,686**	**3,416,106**

	31 March 2013	31 December 2012
Balance at the beginning of the period/year	326,128	254,721
Service costs	224,562	49,046
Interest costs	22,517	18,340
Paid during the period/year	(123,382)	(180,548)
Actuarial differences (*)	-	184,569
Balance at the end of the period/year	**449,825**	**326,128**

(*) The Group does not reassess the actuarial assumptions in interim periods once determined at the year ends and therefore actuarial difference is nil as at and for the three-month period ended 31 March 2013.

21 Other provisions

As at 31 March 2013 and 31 December 2012, other provisions are as follows:

	31 March 2013	31 December 2012
Profit share provisions for health insurance agreements	3,287,555	3,542,557
Provision for legal cases	1,869,335	1,853,945
Provision for portfolio management success fees	620,536	520,536
Commission provisions to intermediaries for sales campaigns	256,751	406,113
Profit share provisions for life agreements	37,933	124,011
Others	251,311	589,232
Total other provisions	**6,323,421**	**7,036,394**

22 Other liabilities

As at 31 March 2013 and 31 December 2012, other liabilities are as follows:

	31 March 2013	31 December 2012
Payable to personnel	1,445,836	649,330
Taxes payable other than on income	1,128,076	598,180
Payable to suppliers	679,847	719,668
Deposits and advances received	477,460	500,496
Payable to related parties *(Note 32)*	197,984	823,853
Deferred commission income	60,362	103,976
Other expense accruals	55,405	15,189
Other liabilities	3,698	9,593
Total other liabilities	**4,048,668**	**3,420,285**

(Currency: Turkish Lira (TL))

23 Insurance contract liabilities

Insurance contract liabilities and reinsurance assets as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013	31 December 2012
Reserve for unearned premiums	171,732,280	66,785,546
Claims provision	13,665,000	11,971,326
Life mathematical reserves	224,044	242,640
Insurance contract liabilities	**185,621,324**	**78,999,512**
Reserve for unearned premiums, ceded	804,695	601,801
Claims provision, ceded	3,955,873	3,554,988
Reinsurance assets	**4,760,568**	**4,156,789**

Movements in insurance liabilities and reinsurance assets

Claims:

31 March 2013	Gross	Ceded	Net
Total at the beginning of the period	11,971,326	(3,554,988)	8,416,338
Cash paid for claims settled during period	(54,316,421)	197,458	(54,118,963)
Claims incurred in current period and change in the estimates of claims amount incurred in previous years	56,010,095	(598,343)	55,411,752
Total at the end of the period	**13,665,000**	**(3,955,873)**	**9,709,127**

31 March 2013	Gross	Ceded	Net
Notified claims	9,853,900	(2,933,912)	6,919,988
Incurred but not reported	3,811,100	(1,021,961)	2,789,139
Total at the end of the period	**13,665,000**	**(3,955,873)**	**9,709,127**

31 December 2012	Gross	Ceded	Net
Total at the beginning of the year	10,123,401	(4,534,503)	5,588,898
Cash paid for claims settled during year	(165,129,703)	18,926,038	(146,203,665)
Claims incurred in current year and change in the estimates of claims amount incurred in previous years	166,977,628	(17,946,523)	149,031,105
Total at the end of the year	**11,971,326**	**(3,554,988)**	**8,416,338**

31 December 2012	Gross	Ceded	Net
Notified claims	8,823,776	(2,945,043)	5,878,733
Incurred but not reported	3,147,550	(609,945)	2,537,605
Total at the end of the year	**11,971,326**	**(3,554,988)**	**8,416,338**

(Currency: Turkish Lira (TL))

23 Insurance contract liabilities *(continued)*

Reserve for unearned premiums and short term insurance risk:

31 March 2013	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	66,785,546	(601,801)	66,183,745
Premiums written during the period	166,375,494	(907,535)	165,467,959
Premiums earned during the period	(61,428,760)	704,641	(60,724,119)
Reserve for unearned premiums	**171,732,280**	**(804,695)**	**170,927,585**

31 December 2012	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	54,521,595	(17,167,462)	37,354,133
Premiums written during the year	234,348,579	(2,012,420)	232,336,159
Premiums earned during the year	(222,084,628)	18,578,081	(203,506,547)
Reserve for unearned premiums	**66,785,546**	**(601,801)**	**66,183,745**

Reserve for long term risk contracts:

	31 March 2013	**31 December 2012**
Mathematical reserve for long term life contracts	214,473	232,026
Mathematical reserve for long term health contracts	9,571	10,614
Mathematical reserve for long term risk contracts	**224,044**	**242,640**

Claim development tables

The general insurance claims provision is sensitive to the some key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent consolidated interim financial statements.

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process.

The table demonstrates the effect of change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumptions changes had to be done on an individual basis. It should also be stressed that these assumptions are non linear and larger or smaller impacts cannot easily be gleaned from these results.

(Currency: Turkish Lira (TL))

23 Insurance contract liabilities *(continued)*

	31 March 2013						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	88,941,372	88,626,643	136,200,413	148,783,761	169,349,001	53,889,543	**685,790,733**
1 year later	87,574,100	87,886,818	136,703,570	150,405,634	167,324,280	-	**629,894,402**
2 years later	87,609,230	87,674,285	137,446,520	150,817,049	-	-	**463,547,084**
3 years later	87,903,790	87,741,909	137,766,228	-	-	-	**313,411,927**
4 years later	87,972,651	88,048,901	-	-	-	-	**176,021,552**
5 years later	88,079,810	-	-	-	-	-	**88,079,810**
Current estimate of cumulative claims	88,079,810	88,048,901	137,766,228	150,817,049	167,324,280	53,889,543	**685,925,811**
Cumulative payments to date	(87,273,818)	(87,851,721)	(135,157,080)	(149,915,865)	(164,460,258)	(48,345,988)	**(673,004,730)**
Liability recognised	805,992	197,180	2,609,148	901,184	2,864,022	5,543,555	**12,921,081**
Liability recognised for the years before 2008							**743,919**
Total claims provision, gross as per the consolidated statement of financial position							**13,665,000**

	31 March 2013						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	57,593,348	39,384,176	67,490,515	85,915,595	151,864,549	54,325,140	**456,573,323**
1 year later	56,777,859	38,962,357	68,003,840	86,302,885	151,835,949	-	**401,882,890**
2 years later	56,797,415	38,719,918	68,533,622	86,690,515	-	-	**250,741,470**
3 years later	56,992,907	38,793,706	68,846,976	-	-	-	**164,633,589**
4 years later	57,061,768	39,100,698	-	-	-	-	**96,162,466**
5 years later	57,169,004	-	-	-	-	-	**57,169,004**
Current estimate of cumulative claims	57,169,004	39,100,698	68,846,976	86,690,515	151,835,949	54,325,140	**457,968,282**
Cumulative payments to date	(56,554,895)	(39,001,208)	(67,873,672)	(86,103,651)	(150,292,186)	(49,177,462)	**(449,003,074)**
Liability recognised	614,109	99,490	973,304	586,864	1,543,763	5,147,678	**8,965,208**
Liability recognised for the years before 2008							**743,919**
Total claims provision, net of ceded as per the consolidated statement of financial position							**9,709,127**

	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	60,144,479	88,941,372	88,626,643	136,200,413	148,783,761	169,349,001	**692,045,669**
1 year later	60,781,336	87,574,100	87,886,818	136,703,570	150,405,634	-	**523,351,458**
2 years later	60,460,515	87,609,230	87,674,285	137,446,520	-	-	**373,190,550**
3 years later	60,220,662	87,903,790	87,741,909	-	-	-	**235,866,361**
4 years later	60,517,084	87,972,651	-	-	-	-	**148,489,735**
5 years later	60,524,652	-	-	-	-	-	**60,524,652**
Current estimate of cumulative claims	60,524,652	87,972,651	87,741,909	137,446,520	150,405,634	169,349,001	**693,440,367**
Cumulative payments to date	(60,163,831)	(87,435,789)	(87,650,106)	(134,578,122)	(149,393,788)	(162,534,254)	**(681,755,890)**
Liability recognised	360,821	536,862	91,803	2,868,398	1,011,846	6,814,747	**11,684,477**
Liability recognised for the years before 2007							**286,849**
Total claims provision, gross as per the consolidated statement of financial position							**11,971,326**

	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	47,475,410	57,593,348	39,384,176	67,490,515	85,915,595	151,864,549	**449,723,593**
1 year later	48,076,768	56,777,859	38,962,357	68,003,840	86,302,885	-	**298,123,709**
2 years later	47,791,204	56,797,415	38,719,918	68,533,622	-	-	**211,842,159**
3 years later	47,518,743	56,992,907	38,793,706	-	-	-	**143,305,356**
4 years later	47,795,861	57,061,768	-	-	-	-	**104,857,629**
5 years later	47,803,431	-	-	-	-	-	**47,803,431**
Current estimate of cumulative claims	47,803,431	57,061,768	38,793,706	68,533,622	86,302,885	151,864,549	**450,359,961**
Cumulative payments to date	(47,356,761)	(56,693,206)	(38,751,140)	(67,431,848)	(85,641,854)	(146,422,002)	**(442,296,811)**
Liability recognised	446,670	368,562	42,566	1,101,774	661,031	5,442,547	**8,063,150**
Liability recognised for the years before 2007							**353,188**
Total claims provision, net of ceded as per the consolidated statement of financial position							**8,416,338**

(Currency: Turkish Lira (TL))

24 Investment contract liabilities

As at 31 March 2013 and 31 December 2012 movement for investment contract liabilities is as follows:

	31 March 2013	31 December 2012
Opening balance	**32,605,934**	**34,216,130**
Contributions during the period/year	643,903	2,812,116
Withdrawals during the period/year	(2,224,638)	(6,782,597)
Change in share of policyholder in unrecognised gain/(losses) of financial assets backing liabilities	(111,649)	1,372,389
Change in profit sharing	104,223	921,432
Foreign exchange differences	240,035	66,464
Ending balance	**31,257,808**	**32,605,934**

Profit sharing rates of investments contracts as at 31 March 2013 and 31 December 2012 are as follows:

	TL Fund (For the policies with distribution rate 90%)	TL Fund (For the policies with distribution rate 95%)	USD fund	Euro fund
31 March 2013	1.60%	2.45%	2.05%	-
31 December 2012	9.08%	7.73%	3.52%	5.06%

25 Equity

The authorized nominal share capital of the Company as at 31 March 2013 and 31 December 2012 amounts to TL 71,500,000 and is held as follows:

	31 March 2013		31 December 2012	
	Share-holding %	TL	Share-holding %	TL
Walnut Holding Cooperaiate U.A	50.00	35,750,000	50.00	35,750,000
Mehmet Ali Aydınlar	49.99	35,743,838	49.99	35,743,838
Others	0.01	6,162	0.01	6,162
	100.00	**71,500,000**	**100.00**	**71,500,000**

At 31 March 2013, share capital of the Group as adjusted for the effects of inflation pursuant to *IAS 29* at 31 December 2005, amounts to TL 74,010,960 (31 December 2012: TL 74,010,960).

There is no such privilege for the shares representing the capital.

As per the resolution in the Extraordinary General Assembly, held on 17 September 2008, respective articles of the Articles of Association were changed. Accordingly, the Group's shares cannot be given as collateral for any purposes or transactions including the derivative transactions and cannot be subject to any call or put option without approval of other party by Group A and Group B shareholders.

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

Legal reserves

Under the Turkish Commercial Code, legal reserves are composed of primary and secondary reserves. Primary legal reserves are set aside as 5% of the legal term profit until it reaches up to 20% of the company capital. Secondary legal reserves are set aside as 10% of the divided distributions exceeding 5% of the company capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of total capital. However, in the event that free reserves are completely consumed, those can be used to cover the losses. As at 31 March 2013, total amount of legal reserves amount to TL 455,779 (31 December 2012: TL 455,779).

(Currency: Turkish Lira (TL))

26 Fees and commission income

Fees and commission income for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Commission income accrued during the year	23,908	108,367
Change in deferred commission income *(Note 22)*	43,614	5,309
Commission income from reinsurance companies	**67,522**	**113,676**
Commission income due to intermediary operations	49,117	159,595
Fees and commission income	**116,639**	**273,271**

27 Operating expenses

Operating expenses for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Personnel expenses	4,118,305	3,448,098
Transportation expenses	275,616	199,106
Tax, duties and charges expenses	239,750	138,629
Rent expense	204,278	77,925
Legal expenses	162,530	40,008
Consultancy expenses	145,994	278,229
Depreciation and amortisation expenses	163,443	115,467
Change in other deferred acquisition expenses	(146,370)	(192,611)
Others	602,087	573,775
Total	**5,765,633**	**4,678,626**

Personnel expenses for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Salaries	2,641,842	2,473,257
Social security premiums	443,020	365,707
Bonus, premiums and commissions to the personnel	383,873	266,186
Provision for employee termination benefits	123,697	21,105
Provision for unused vacations	132,883	92,031
Other fringe benefits	392,990	229,812
Total	**4,118,305**	**3,448,098**

28 Investment income and finance costs

Investment income and finance costs for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Trading gains, net	2,780,238	-
Interest income from bank deposits	2,229,417	1,003,083
Interest income from investment securities	1,616,869	2,714,175
Foreign exchange gains, net	348,543	-
Total investment income	**6,975,067**	**3,717,258**

	31 March 2013	31 March 2012
Discount expense	(1,062,141)	(2,159,823)
Interest expense for repurchase transactions	(272,163)	(323,145)
Portfolio management fee	(155,096)	(126,519)
Foreign exchange losses, net	-	(1,007,035)
Trading losses, net	-	(222,495)
Other finance costs	(5,386)	(4,787)
Total finance costs	**(1,494,786)**	**(3,843,804)**

(Currency: Turkish Lira (TL))

29 Other income and expenses

Other income for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Fees earned from consultancy services	632,646	-
Rent income from investment property	56,089	49,425
Other income	116,597	31,923
Total other income	**805,332**	**81,348**

Other expenses for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Provision expenses for premium receivables	(249,174)	(130,794)
Provision expenses for lawsuits against the Group	(15,390)	(953,975)
Other provisions expenses/reversal income	290,999	(78,374)
Total other expenses	**26,435**	**(1,163,143)**

30 Other technical income and expenses

Other technical income for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Accrual for loss sharing contracts, net of ceded	1,877,211	807,804
Other technical income	14,641	40,468
Total	**1,891,852**	**848,272**

Other technical expenses for the three-month period ended 31 March 2013 and 2012 are as follows:

	31 March 2013	31 March 2012
Accrual for profit sharing in health contracts	1,843,376	(1,527,199)
Accrual for loss sharing quota share reinsurance contract	(2,015,863)	(1,152,243)
Other technical expense	(771)	(8,782)
Total	**(173,258)**	**(2,688,224)**

31 Blocked securities and bank deposits

In order to protect the interests of policyholders, under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Turkish Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	31 March 2013	31 December 2012
Blocked bank deposits *(Note 7,8)*	23,685,553	23,212,065
Blocked securities *(Note 8)*	31,824,404	41,316,167

32 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. For the purpose of these consolidated interim financial statements, shareholders and Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its insurance business, the Group conducted some business transactions with related parties on commercial terms.

(Currency: Turkish Lira (TL))

32 Related party balances and transactions *(continued)*

As at 31 March 2013 and 31 December 2012, outstanding balances with related parties are as follows:

	31 March 2013	**31 December 2012**
Other receivables *(Note 13)*	70,846	82,375
Other payables *(Note 22)*	197,984	823,853
Receivables from insurance operations	1,601,855	1,104,927
Payables to medical network	13,791,637	11,224,007

As at and for the three-month period ended 31 March 2013 and 2012, transactions with related parties are as follows:

	31 March 2013	**31 March 2012**
Premiums written	8,307,891	7,759,631
Claims incurred	27,201,679	19,916,353
Other operating expense	359,923	315,046
Operating Income	74,701	90,470

As at and for the three-month period ended 31 March 2013, salaries and similar benefits provided to the senior management including Chairman, Member of the Board of Directors, General Manager and Assistant General Managers amounted to TL 437,313 (31 March 2012: TL 407,570).

33 Contingencies

As at 31 March 2013 and 31 December 2012, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 5 – *Management of Insurance Risk.*

As 31 March 2013 and 31 December 2012, future minimum rentals payable under non cancellable operating leases for the rent of head office, regional offices and car rentals are as follows:

	31 March 2013	**31 December 2012**
Within one year	861,808	581,391
After one year but not more than five years	3,899,083	4,117,710
Total	**4,760,891**	**4,699,101**

34 Subsidiaries and associates

The table below sets out the subsidiaries and shows their shareholding structure as at 31 March 2013:

Subsidiaries	***Direct shareholding interest (%)***	***Indirect shareholding interest (%)***
Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ	99.99	99.99
Tasfiye Halinde Akım Sigorta Aracılık Hizmetleri AŞ (in liquidation)	25.00	25.00
Tasfiye Halinde Yalın Sigorta Aracılık Hizmetleri AŞ (in liquidation)	25.00	25.00
Tasfiye Halinde Saf Sigorta Aracılık Hizmetleri AŞ (in liquidation)	25.00	25.00

Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi (“ASA”) was established in 2010 to operate as an insurance agency in Turkey and foreign countries, to act as an intermediary in insurance and pension business contracts. Beside these operations, ASA can operate in other areas with the proposal of the Board and approval of the General Assembly, which are necessary and beneficial for the entity. ASA is consolidated under parent company in the accompanying consolidated interim financial statements.