

Millî Reasürans Türk Anonim Şirketi

Income Statement 01.01.2005-31.12.2005 (TRY)

I- Technical Account	Note	Current Period
A- Non-Life Technical Income		631,917,061.04
1- Earned Premiums (Net of Reinsurance)		611,359,972.93
1.1- Written Premiums (Net of Reinsurance)		626,115,462.07
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		(14,755,489.14)
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)		
2- Investment Income Transferred from Non-Technical Account	1	17,837,416.42
3- Other Technical Income (Net of Reinsurance)	2	2,719,671.69
B- Non-Life Technical Expenses (-)		(607,531,276.57)
1- Losses Incurred (Net of Reinsurance)		(451,811,287.94)
1.1- Losses Paid (Net of Reinsurance)		(432,918,905.28)
1.2- Change in Provision for Outstanding Losses (Net of Reinsurance) (+/-)		(18,892,382.66)
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)		
3- Change in Other Technical Provisions (Net of Reinsurance) (+/-)	3	(4,781,971.40)
4- Operating Expenses (-)	4	(150,938,017.23)
C- Balance on Non-Life Technical Account (A-B)		24,385,784.47
D- Life Technical Income		7,744,322.68
1- Earned Premiums (Net of Reinsurance)		7,027,118.70
1.1- Written Premiums (Net of Reinsurance)		7,688,170.82
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		(661,052.12)
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)		
2- Investment Income		712,336.10
3- Unrealized Profits on Investments		
4- Other Technical Income (Net of Reinsurance)	5	4,867.88
E- Life Technical Expenses		(5,819,848.00)
1- Claims Incurred (Net of Reinsurance)		(2,532,220.36)
1.1- Claims Paid (Net of Reinsurance)		(2,289,802.94)
1.2- Change in Provision for Outstanding Indemnities (Net of Reinsurance) (+/-)		(242,417.42)
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)		
3- Change in Mathematical Reserves (Net of Reinsurance) (+/-)		(57,709.71)
4- Change in Provision for Investment Risk at Life Insurance Policyholders (Net of Reinsurance) (+/-)		
5- Change in Other Technical Provisions (Net of Reinsurance) (+/-)		
6- Operating Expenses (-)	6	(3,229,917.93)
7- Investment Expenses (-)		
8- Unrealized Losses on Investments		
9- Investment Income Transferred to Non-Technical Account		
F- Balance on Life Technical Account (D-E)		1,924,474.68
G- Pension System Technical Income		0.00
1- Fund Management Income		
2- Management Expenses Deduction		
3- Entrance Fee Income		
4- Management Expenses Deduction for Temporary Suspension		
5- Special Service Fees		
6- Capital Allocation Advance Appreciation Income		
7- Other Technical Income		
H- Pension System Technical Expenses		0.00
1- Fund Management Expenses (-)		
2- Capital Allocation Advance Depreciation Expenses		
3- Operating Expenses (-)		
4- Other Technical Expenses (-)		
I- Balance on Pension System Technical Account (G-H)		0.00

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II- Non-Technical Account	Note	Current Period
C- Balance on Non-Life Technical Account		24,385,784.47
F- Balance on Life Technical Account		1,924,474.68
I- Balance on Pension System Technical Account		0.00
J- Balance on Technical Account (C+F+I)		26,310,259.15
K- Investment Income		97,727,632.70
1- Income from Financial Investments	7	62,228,709.03
2- Profits from Realization of Financial Investments		14,058,757.30
3- Valuation of Financial Investments		4,202,394.47
4- Currency Translation Gains		7,926,278.55
5- Income from Affiliates		761,795.79
6- Income from Subsidiaries and Joint-Ventures		
7- Income from Land and Buildings		8,540,550.55
8- Income from Derivatives		
9- Other Investments	8	9,147.01
10- Investment Income Transferred from Life Technical Account		
L- Investment Expenses (-)		(68,280,343.18)
1- Investment Management Expenses-Interest Included (-)	9	(34,497,015.40)
2- Investments Depreciation (-)		
3- Losses from Realization of Financial Investments (-)		(4,370,781.66)
4- Investment Income Transferred to Non-Life Technical Account (-)	10	(17,837,416.42)
5- Losses from Derivatives (-)		
6- Currency Translation Losses (-)		(8,806,735.83)
7- Amortisation Expenses (-)		(2,768,393.87)
8- Other Investment Expenses (-)		
M- Income and Expenses from Other and Extraordinary Operations (+/-)		(587,137.87)
1- Provisions (+/-)	11	(4,754,516.17)
2- Rediscounts (+/-)		
3- Compulsory Earthquake Insurance (+/-)		3,983,477.08
4- Inflation Adjustment (+/-)		
5- Deferred Tax Asset (+/-)		
6- Deferred Tax Obligations Expenses (-)		
7- Other Income and Profits	12	225,248.49
8- Other Expenses and Losses (-)	13	(41,347.27)
9- Prior Year's Income and Profits		
10- Prior Year's Expenses and Losses (-)		
N- Net Profit/Loss for the Period		36,921,125.24
1- Profit/Loss for the Period		55,170,410.80
2- Taxes and Legal Obligations Payable (-)		(18,249,285.56)
3- Net Profit/Loss for the Period		36,921,125.24
4- Inflation Adjustment		

Millî Reasürans Türk Anonim Şirketi

Notes to the Income Statement

1. TRY 17.837.416,42 being followed under investment income from non-technical account involves the transfer of 20% of the amounts under financial income items in accordance with the Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as from January 1st 2005.

Source of Income	Transferred Value (TRY)
Stocks	847.013,25
Treasury Bills	3.136.320,77
Government Bonds	6.855.492,08
Bank Deposits	1.605.794,81
Other Financial Assets	1.120,89
Mutual Funds	256.906,17
Repurchase Agreement	2.554.845,29
Stock Valuation	840.478,89
Currency Translation Gains	1.585.255,71
Profit Shares	152.359,16
Sales Profits	1.829,40
Total	17.837.416,42

2. TRY 2.719.671,69 under other technical income includes interest accruing from reserves with insurance and reinsurance companies (TRY 2.524.046,52), currency translation differences (TRY -591.547,07) and other income items (TRY 787.172,24).

3. TRY 4.781.971,40 reflected under change in other technical provisions is contingency fund for earthquake.

4. The amount of TRY 150.938.017,23 followed under operating expenses account is the sum of net commissions (TRY 139.923.390,57), and the transfer of 50% of the financial expenses items to the related technical accounts (TRY 8.823.720,94) which has been made in accordance with Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as of January 1st 2005, and other expenses (TRY 2.190.905,72).

5. TRY 4.867,88 under other technical income includes income from currency translation and income from the interest accruing from reserves with insurance and reinsurance companies.

6. Operating expenses of TRY 3.229.917,93 are shown in the table below:

Operating Expenses	TRY
Acquisition Expenses	3.237.079,33
Personnel Expenses	349.543,49
Administrative Expenses	461,05
Reinsurance Commissions	(357.071,92)
Other Operating Expenses	(94,02)
Total	3.229.917,93

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Notes to the Income Statement

7. Income from financial investments is as follows:

Income From Financial Investments	TRY
Income from Sales of Stocks	4.235.066,25
Interest Income from Treasury Bills	15.681.603,87
Interest Income from Government Bonds	30.046.985,38
Interest Income from Eurobonds	4.230.475,04
Interest Income from Bank Deposits	8.028.974,06
Interest Income Due from Personnel	5.604,43
Total	62.228.709,03

Stocks are valued on the basis of weighted average of daily prices determined in Istanbul Securities Exchange Market within 5 days prior to the drawing up of the balance sheet. Government bonds and treasury bills are valued on the basis of weighted average of prices determined in Istanbul Securities Exchange Market and published in the Official Gazette. The valuation of eurobonds is made at the buying rate of exchange of Turkish Central Bank and on the rediscount on coupons interest income.

8. Income from other investments of TRY 9.147,01 is derived from the sale of idle company cars.

9. Investment management expenses are as follows:

Investment Management Expenses	TRY
Personnel Expenses	7.297.951,47
Administrative Expenses	3.006.854,49
Outsourcing Expenses	261.404,78
Other Operating Expenses	23.892.722,27
Other Investment Management Expenses	34.976,02
Rental Expenses (Leasing)	3.106,37
Total	34.497.015,40

TRY 23.892.722,27 followed under other operating expenses account consists of the payments to the Undersecretariat of Treasury in accordance with the valuation of the company, in the context of the special agreement dated 22nd April 1992 made between Millî Reasürans T.A.Ş. and Undersecretariat of Treasury (TRY 20.467.926), insurance transactions tax (TRY 1.487.017,75) and other liabilities (TRY 1.937.778,52).

10. TRY 17.837.416,42 encompasses the transfer of 20% of some financial income items detailed in note No.1 to the related technical accounts in accordance with Insurance Chart of Accounts published in the Official Gazette No.25686 dated 30 December 2004 and effective as of January 1st 2005.

11. The amount of TRY 4.754.516,17 is composed of the sum of the provision for employment termination benefits (TRY 295.039,42) and provision for doubtful receivables (TRY 4.459.476,75).

12. Other income and profits with a value of TRY 225.248,49 consists of incidental income items.

13. Other expenses and losses with a value of TRY 41.347,27 encompass the items which are non-assessable or disallowed.