ANNUAL REPORT 2007

A national power, a global strategy

MİLLİ RE
since 1929

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As per law no 1160 published in 1927, reinsurance transactions within national borders have become compulsory for insurance companies operating in Turkey, followed by the decision to establish a joint stock company to accept and manage these compulsory cessions.

Assigned with the task, Türkiye İş Bankası (İşbank) founded Milli Reasürans T.A.Ş. (Milli Re) to operate the compulsory reinsurance system on 19 July 1929.

A key contributor to the development of the Turkish insurance industry, Milli Re is the first and only private company operating a compulsory reinsurance system in the world. The system in place is distinguished from similar practices essentially by the fact that compulsory reinsurance concessions cover all insurance branches.

The benefits contributed to the Turkish insurance industry by Milli Re while operating the compulsory reinsurance system include the following:

- Nationalization of the Turkish insurance industry
- Generation of continuous revenues for the Turkish Treasury
- Significant reduction in the outflow of foreign currencies
- Execution of training and education programs in insurance business
- Conducting top-notch international relations

Following the abolition of this system, Turkey has won a financially sound national reinsurance company ranking among the top hundred companies in the world reinsurance market.

Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1975 to 1995. The company contributed to the formation of TCIP and was the first administrator that has been undertaken for five years. Milli Re has also been managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool since 1974.

Accepting business on a voluntary basis from the Turkish insurance industry since 1991, Milli Re currently fulfills nearly 30% of the industry's need for reinsurance coverage.

In line with a new strategy adopted, Milli Re started to focus more heavily on writing business from overseas markets, which was performed at a very limited level previously. With the purpose of balancing the company's local acceptances with the foreign business, this strategy was reinforced and supported by the strengthening of the Turkish Lira against hard currencies, as well as its robust financial structure. In foreign acceptances, specific targets are centered on emerging Asian and African countries along with Middle Eastern and East European countries.

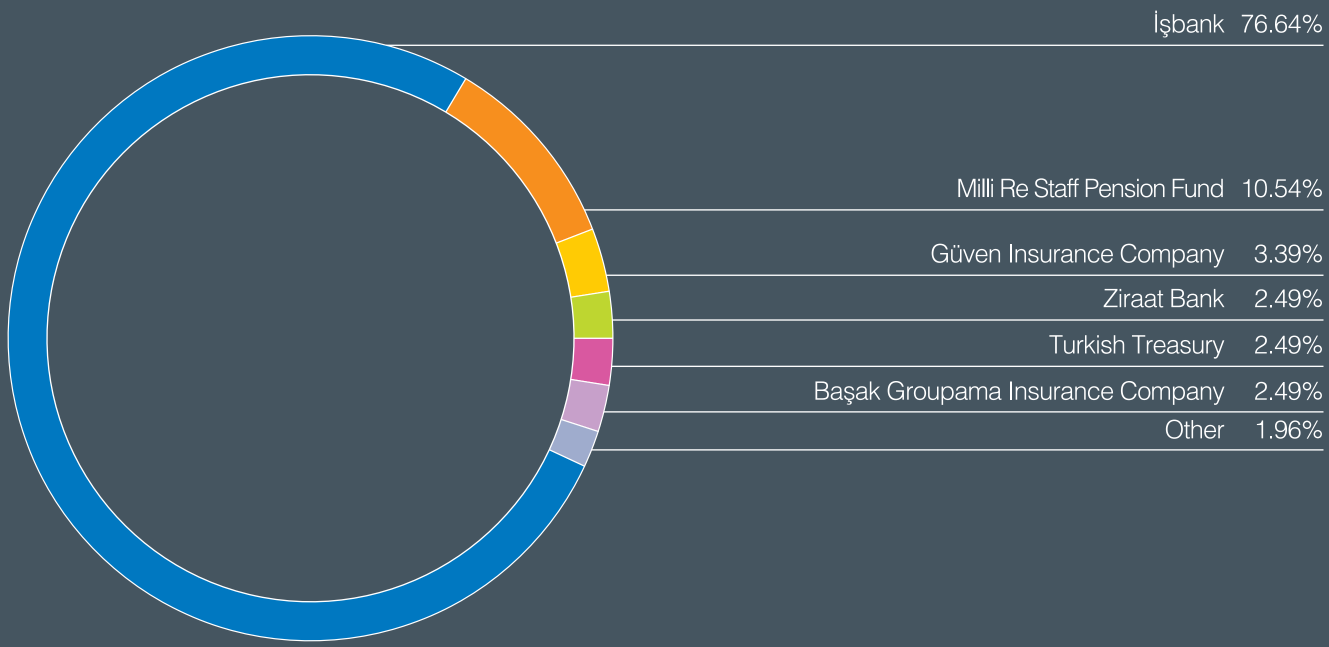
Milli Re successfully completed in 2007 the formalities for opening a branch in Singapore, which marks the first step of the plans to expand its presence across national borders. The relevant operation permit request approved on 22 November 2007, Milli Re believes that the Singapore Branch will hold a position of special importance in terms of tapping the existing reinsurance business potential in the Asia-Pacific region.

A.M. Best rating agency upgraded Milli Re's financial strength rating (FSR) to B++ (Stable) from B+ (Positive) on 13 December 2007, due to the reduced effect of country risk factors in rating methodologies.

In view of the increased volume of foreign capital in the Turkish insurance industry and recognizing the sensitive approach of companies fully owned or participated by foreigners to FSR, Milli Re applied for a FSR on a “national scale” for the first time to S&P (Standard & Poor's). Upon necessary reviews, S&P assigned a “trA+” Turkish national scale rating for Milli Re, specifically emphasizing the company's leading position in the Turkish insurance market and strong capitalization.

Section 6 of the articles of association which pertains to capital has been amended due to the fact that Milli Re's capital has been raised from TRY 343 million to TRY 385 million at the extraordinary general meeting convened on 04 December 2007.

Milli Re Shareholder Structure



Shareholder	Value of Stake (TRY)	Stake (%)
İşbank	295,056,373.15	76.64
Milli Re Staff Pension Fund	40,586,838.60	10.54
Güven Insurance Company	13,054,387.50	3.39
Ziraat Bank	9,584,717.45	2.49
Turkish Treasury	9,584,717.45	2.49
Başak Groupama Insurance Company	9,584,717.45	2.49
Other	7,548,248.40	1.96
Total	**385,000,000.00**	**100**

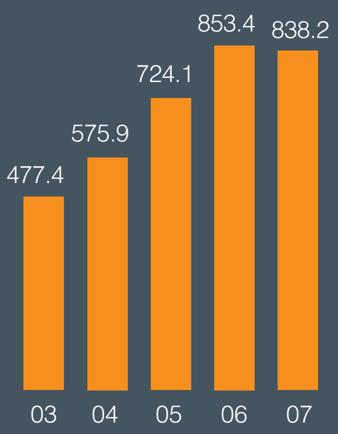
Note: Shareholders controlling 1% or greater stakes in the company are shown.

Key Financial Indicators

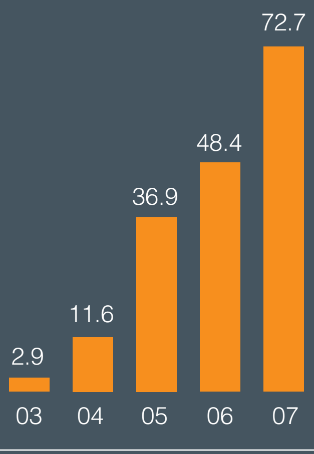
Financial Results (TRY mn)	2006	2007	Change (%)
Total Assets	1,132.5	1,222.9	8.0
Shareholders' Equity	536.7	706.9	31.7
Technical Income	1,409.8	1,443.7	2.4
Technical Profit/Loss	4.7	6.0	27.7
Financial Income	96.4	131.6	36.5
Financial Profit/Loss	43.7	66.7	52.6
Profit/Loss for the Period	48.4	72.7	50.2

Ratios (%)	2006	2007
Liquidity Ratio	158.0	166.0
Current Ratio	174.0	184.0
Gross Premiums/Shareholders' Equity	159.0	119.0
Shareholders' Equity/Total Assets	47.0	58.0
Liquid Assets/Total Assets	68.0	69.0
Loss Ratio (Net)	77.0	78.0

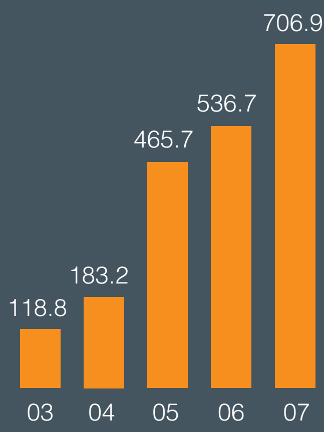
Premium Income (TRY mn)



Profit for the Period (TRY mn)



Shareholders' Equity (TRY mn)



Chairman's Message

2007 will be marked in the history of Milli Re as the year of move to the international platform.
In 2007, we took pride in Milli Re's initiative to put its Singapore branch office in operation. The importance of the Singapore branch lies in the fact that it represents the first step of our strategy to become an international reinsurance company.

Erected on a 79-year gratifying history, Milli Re, with the establishment of the Singapore branch, combined the unique experience gained as a national power with its robust financial structure, and started offering this to the service of the global markets.

Why Singapore?
The main reason for the selection of Singapore in respect of our international growth strategy is the great potential held by the Asia-Pacific region with respect to insurance and reinsurance business in a foreseeable future.

Predominantly occupied by emerging economies standing out as the last decade's greatest contributors to the world economy, the region embodies significant dynamics in terms of growth potential.

Milli Re, a national power, will continue to expand globally. About 30 countries are included in the short list, in which the company intends to be more active in the years to come. Seeking ways to spread its strong position in Turkey to the international markets by way of its operations in these countries, our company will keep focusing on risk/return balances as its core business strategy.

Milli Re has taken on and successfully fulfilled a number of key functions from the debut of the insurance industry in Turkey.

While targeting to increase the number of countries from which reinsurance is accepted, Milli Re also plans to grow the volume of the business written from these markets and aims to gradually increase the share of foreign acceptances in its premium income to around 25% in the next 10 years.

Ever since insurance business made its debut in our country...

In its nearly 80 years of history, Milli Re has witnessed the evolution of the Turkish economy and has been able to stand erect as a resilient and rock-solid fortress in all kinds of market conjunctures.

Our company has taken on and successfully fulfilled a number of key functions from the debut of the insurance industry in Turkey.

As the insurer of insurance companies, Milli Re contributed significantly to the satisfaction of its clients, i.e. insurance companies, by virtue of its ability to provide reinsurance cover needed by the insurance industry with the best possible terms and prompt settlement of claims.

Our credit rating upgraded.

Another success for 2007 was the upgrade of our international FSR to B ++ (Stable) by A.M. Best

The financial strength rating assigned to Milli Re by A.M. Best, one of the most reputable international rating agencies in reinsurance and insurance sectors, further enhances our international diversification.

The world economy has entered a course that needs to be closely monitored with respect to the future of our industry.

The adverse developments of 2007 in the US housing sector and the volatilities in the credit markets led to the poor performance of the American economy. The change of interest rate policies in opposite directions from 2001 to 2007 resulted in a heavier burden exerted by the housing loans most of which had been extended at variable interest terms, while also bearing a negative impact on the credit markets. Concurrent problems arose also in the liquidity and valuation of financial instruments offered in connection with these loans.

The problem got bigger in time, and the credit agencies holding these instruments in their portfolios started to have difficulties in funding. Overall, deterioration in financial and monetary terms coupled with an increased risk perception has prevailed. Adverse information on the US economy and the balance sheets of large financial institutions continue to cause volatilities for a short period of time in macro-economic balances.

Contrary to the global economic environment, Turkey was able to complete 2007 with a relatively good performance and to remain mostly unaffected by the fluctuations in the world. Although at a slower pace, the economic growth continued and most economic indicators were in line with the targets.

The forthcoming period needs to be monitored closely with respect to our country and to the insurance industry. Aggravated risk conditions in the international financial markets will inevitably influence our country and our industry.

Having focused even more on the risk/return balance and thus significantly increased its profitability and raised its retention ratios, Milli Re is well-equipped to offer the best service that will be needed by the insurance industry in a volatile environment. The robust financial structure of our company provides the necessary power in this respect.

Under the support and guidance of İşbank, we are committed to act with the responsibility of being a strong and well-established company and to attain higher added value as a result of our transition from a national scale to a global one.

Prof. Dr. Ahmet Kırman
Chairman of the Board of Directors

General Manager's Message

Despite intense competition, the insurance industry continued to grow in 2007.

Although year-end 2007 data are yet to be published, according to the results for the first three quarters provided by the Association of the Insurance and Reinsurance Companies of Turkey, the total premium production of the insurance industry grew 14% year-on. It is estimated that the growth in the industry will stand in the range of 13% to 15% as at year-end.

In 2007, the insurance industry was characterized by the ongoing interest of foreign investors in this industry. As a result of the continued penetration of foreigners into the industry through acquisitions or shareholding, at present eight of the top ten insurers accountable for the highest premium production in non-life branches are companies with foreign shareholders. In other words, 80% of the insurance industry in Turkey started to be controlled by foreign companies.

With its financial strength, long-standing history and solid infrastructure, Milli Re continued to be a preferred and reliable national reinsurer.

The industry's technical profitability floats at low levels...
Although major losses did not occur in 2007, low technical profitability was again an issue for the industry. While the intense competition in prices have some effect on the premium volume, it shows its real impact on technical profitability ratios as a result of premiums derived written at non-technical prices which prove to be insufficient to cover the losses.

This is most evident in the motor own damage insurance representing nearly 40% of the portfolio in the industry and inflicted by a fierce competition. This coupled with unfair practices in the motor TPL insurance and the adversities in the health insurance are the main reasons of the low technical profitability in 2007.

Remodeling of the legal infrastructure for the Turkish insurance industry signifies the most striking headline of 2007.
2007 was a year of remodeling in the legal infrastructure for the Turkish insurance industry. The Insurance Bill has been passed and enacted by the Turkish Parliament on 3 June 2007.

Immediately after the enactment of the bill pending since 1994, a number of regulations covering new stipulations were published.

The law imposes highly advanced implementations in line with the EU's Solvency II directive, which are aimed at the strengthening of financial structures of insurance companies.

These new implementations will play a critical role in the emergence of a much healthier insurance industry in Turkey in the period coming.

Milli Re: A strong, long-standing and robust company
Milli Re sustained its successful performance in 2007.

In an industry predominantly populated by companies with foreign shareholders, Milli Re continued to be a preferred and trusted national reinsurer based on its financial strength, long-standing history and solid infrastructure. In the transformation process facing the industry, Milli Re achieved an extremely difficult goal, preserving and further reinforcing its place among the most preferable reinsurers also by international groups for their portfolios in Turkey.

In brief, two very important conclusions can be drawn from the 2007 activities of our company:

- Foreign companies in Turkey continue to cooperate increasingly with Milli Re;
- In addition to realizing the targeted penetration to emerging countries, Milli Re has become a part of the international reinsurers panel and has also succeeded in writing business from the Western markets.

Having started the operations of Singapore Branch officially in 2007, Milli Re aims to intensify its activities in the Asia-Pacific countries, thus writing more business from these markets.

B++: a significant expression of our strength

Milli Re, in 2007, was assigned B++ (Stable) financial strength rating on the international scale by A.M. Best. In view of the rating methodology in which the country risk ratings constitute the ceiling, this rating earned, which is above Turkey's country risk rating, is extremely significant. It points at the company's sound standing in the local market and also confirms its solid equity structure and financial position.

I would like to strongly emphasize the fact that our B++ rating is equivalent to a BBB and even to an A rating on S&P's rating scale according to the assessments of certain analysts. While many companies in our country are rated on the basis of national scale, Milli Re stands out with the rating assigned on international scale.

Apart from the emerging markets, Milli Re cooperated in 2007 with some established Lloyd's syndicates and enjoyed the honor of being a reinsurance company that is recognized also by developed markets. On the other hand, our company also entered the reinsurer panel of many international brokers and began considering the proposals received from developed markets. This is a source of pride not only for our Company and our colleagues but also for our country.

Singapore Branch commenced activities.

Milli Re's Singapore Branch was officially opened in 2007.

Our goal is to intensify our activities in the Asia-Pacific countries in 2008 and to write more business from these markets. Organized as a branch, our Singapore operation represents a concrete step of our strategy to become an international reinsurance company, with its team of 6 competent employees and its infrastructure equipped with cutting-edge technology.

For a more profitable and more productive portfolio composition

In 2007, Milli Re changed its underwriting guidelines in order to attain a more profitable and more productive composition of its portfolio. Some treaties were cancelled in the motor and health branches that posted technical loss, and a selective risk acceptance policy was put in place more predominantly, targeting the creation of a more profitable portfolio.

In 2007, Milli Re registered a total premium production of TRY 838 million, 95% of which is generated from the local market.

91% of the total premium amount was retained. With this high retention ratio, Milli Re ranks among the world's top 60 reinsurance companies.

Up 50% year-on, Milli Re's operating profit in the reporting period stood at TRY 72.7 million. This figure represents a notable increase in profit as it has been achieved in a year in which additional reserves were set aside to strengthen the company's financial structure in accordance with the new law enforced.

Currently fulfilling 30% of the Turkish insurance industry's need for reinsurance coverage on its own, Milli Re will concentrate on positioning itself in the international market as from 2008.

Shareholders' equity-technical reserve-net premiums relation

Having reached TRY 707 million at year-end 2007, total shareholders' equity represents a year-on rise by 31.7%.

Our company has secured a very healthy structure in terms of the relation between shareholders' equity, technical reserve and net premium. We have matched the world's best level of shareholders' equity to retained premiums and to reserve ratios.

An asset size over USD 1 billion

In, 2007 Milli Re's asset size exceeded USD 1 billion for the first time.

In a foreseeable future...

Milli Re, in a foreseeable future,

• will sustain its relations with Turkish companies, with foreign shareholders in order to maintain and further improve a healthy business portfolio in Turkey;

• will continue its overseas operations on a growing basis. At present, premiums written from overseas markets has a 5% share in our total premium. 2008 target is to increase this ratio to above 10%.

Since its inception in 1929, Milli Re has been furnishing the Turkish insurance industry with growing added value.

I would like to express my gratitude to all the ceding companies for their support and confidence. Milli Re's successful journey will continue. Currently fulfilling 30% of the Turkish insurance industry's need for reinsurance coverage on its own, our company will concentrate on building itself a solid place in the international market as from 2008. Standing for power and confidence in Turkey, Milli Re will take its place in the global market drawing on these qualities.

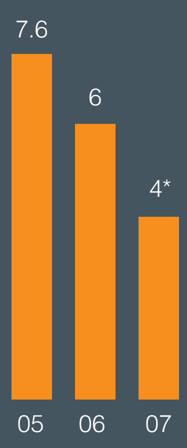
I extend my sincerest thanks to our entire team for their committed work and efforts.

Cahit Nomer
Director and General Manager

The Turkish Economy and Outlook

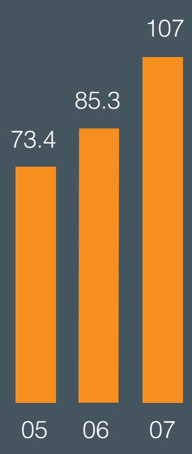
By the policies adhered to in the last period, the Turkish economy was vested in considerable stability, developed the ability to protect itself against probable risks and enhanced its resilience to withstand global and local shocks.

GNP Growth Rate (%)

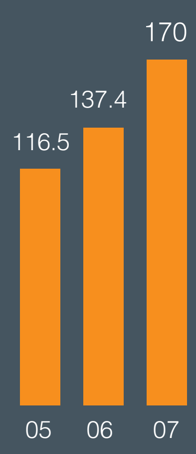


* As per Q3

Exports (USD bn)



Imports (USD bn)



2007 was a year of sustained growth for the national economy, despite the negativities experienced in Turkey and abroad. 24 straight quarters of continued growth is a major achievement, irrespective of the fact that the growth rate will stand below the target.

The Turkish economy completed its sixth year of stable growth that commenced in 2002. Although it fell short of the estimations in 2007, the growth that has been ongoing for 24 quarters in a row is indicative of a major achievement.

By the policies adhered to in the last period, the Turkish economy was vested in considerable stability, developed the ability to protect itself against probable risks and enhanced its resilience to withstand global and local shocks.

Internal and external negativities...

2007 was a year of sustained growth for the national economy, despite the negativities experienced in Turkey and abroad. The targeted growth level could not be achieved for a number of internal and external factors. On the national scale, these factors were the presidential election, general elections, referendum, cross-border operations, and terrorism, whereas the external factors included the increase in oil prices and the large-scale crisis that broke out in the US housing market.

The growth rate that was 6.8% and 4.1% in the first and second quarters respectively declined to 2% in the third quarter. 24 straight quarters of continued growth is a major achievement, irrespective of the fact that the growth rate will stand below the target, which is estimated to be slightly below 5% on the basis of the full year.

Inflation below the targets...

The inflation targets could not be achieved in 2007.

Although data show that the inflation remained restricted to single digits for the whole year, the 4% target set for 2007 could not be attained. 2006 increase of 11.58% in PPI and 9.65% in CPI dropped down to 5.94% and 8.39%, respectively.

The sectoral breakdown of the increase in PPI is as follows: 15.70% in agricultural sector, 15.49% in mining and quarrying industry, 4.27% in manufacturing industry.

On the CPI wing, the highest increase came in alcoholic beverages with 17.20%, followed by food and non-alcoholic beverages with 12.03%, and the housing sector with 11.48%. The increases in other groups were 10.87% in the restaurants and hotels segment, 5.96% in education, 5.26% in transportation, 5.08% in various goods and services, 4.17% in household goods, 4.08% in clothing and footwear, and 0.85% in healthcare. The CPI rates were -1.26% for leisure and culture segment, and -1.78% for the communication segment.

Rate of unemployment decreases

Scene to continued increase in industrial manufacturing and to 90% capacity utilization rate in the manufacturing industry, 2007 was also a year of decreased rate of unemployment. 9.9% at the end of the prior year, unemployment was announced as 9.7% in October 2007. In light of these data, the number of unemployed people as at October is 2.4 million in Turkey where total employment figure stands at 22.8 million.

Expanded foreign trade volume

Turkey's exports achieved a year-on increase of 25.3% in the January-December 2007 period, while the growth in imports was 21.8%.

Based on January-December 2007 data, the export volume reached USD 107,154 million and the import volume USD 169,987 million. The foreign trade deficit for the same period went up by 16.3% to USD 62,833 million. The ratio of exports to imports was 63% in 2007, whereas it was 61.3% in 2006.

Sustaining the development attained in macro-economic stability in the future will contribute significantly to continued attraction of Turkey for local as well as global investors, and enhanced welfare level.

56.4% of Turkey's exports is made to the EU...
The European Union continues to make up the bigger part of Turkey's exports volume. Up 26% year-on, exports to EU countries amounted to USD 60,405 million. Within the total exports volume, EU countries took 56.4% share, whereas the Turkish Free Zones and other countries had respective shares of 2.7% and 40.9%.

Germany was the country that received the highest percentage of Turkey's export volume in January-December 2007 period. On a year-over-year basis, exports to this country went up 23.8%. Germany was followed by UK, Italy, France, Russia and Spain respectively.

In 2007, EU countries were accountable for 40.4% of imports to Turkey.

Balance of payments deficit and exchange rate policies
2007 was not a bright year in terms of the balance of payments deficit. USD 32.3 billion last year, the current deficit is estimated to have reached USD 36 billion at the end of 2007. Based on interim results, however, outstanding internal debts rose to TRY 255,310 million, up 1.5%, and outstanding external debts to USD 237,322 million as at the third quarter.

As the Central Bank of Turkey maintained its determination not to interfere with the exchange rates in line with the floating exchange rates policy during the year, the decline throughout 2007 in the foreign currency prices attracted reaction from a number of segments led by the exporters. Having started the year around TRY 1.4086, the US Dollar dropped down to TRY 1.1708 on 28 December 2007. The exchange rate for Euro, which was TRY 1.8470 at the onset of 2007, stood at TRY 1.6976 on the same date.

At end November, Turkey's foreign exchange reserves rose to USD 116.5 billion, up 15.2%. The foreign exchange reserves of the Central Bank of Turkey reached USD 69.6 billion in the same period, with a 14.4% increase.

The Turkish economy is looking at important occasions.
Having successfully endured two distinct elections and the turmoil in international markets, the Turkish economy is looking at new occasions, opportunities and risks in 2008.

It is believed that strict adherence to the structural reforms and key economic policies adopted in the recent years will keep the reflection of international volatilities on Turkey at a restricted level.

Sustaining the development attained in macro-economic stability in the future will contribute significantly to maintaining the growth performance of economy, continued attraction of Turkey for local as well as global investors, and enhanced welfare level.

Current deficit and international liquidity balances continue to be the biggest risks facing the Turkish economy. Although management of current deficit on the basis of correctly identified policies are instrumental to eliminate short-term risks, the potential volatile course of the world economy will set the direction of the national economy in the medium and long term.

An Overview of the Turkish Insurance Industry in 2007

Remodeling of the legal infrastructure for the Turkish insurance industry signifies the most important headline of 2007.
Intense efforts have been invested lately to integrate our financial markets in general, and our banking sector in particular, with the international markets within the scope of Turkey's harmonization with the European Union. In this frame, the relevant laws were formulated and enforced years ago. Yet, it was 13 years later that a new regulation could be made relating to the insurance industry that takes place among financial markets; nonetheless, the insurance bill was accepted by the Turkish Parliament and enacted on 03 June 2007.

The Insurance Law no. 5684 sets forth that numerous matters will be stipulated by regulations to be published. In the short time that passed since then, many of these regulations have been rapidly drawn up and put into force by the Turkish Treasury. Thus, it will be fair to refer to 2007 as a year of remodeling in the legal infrastructure for the insurance industry.

2007's second highlight is the continued interest of foreigners for penetrating the Turkish insurance market through acquisitions or shareholding.
First witnessed in banking within the finance sector, this development is started to be observed also in the insurance industry in the recent years. Currently, eight of the top ten insurers accountable for the highest premium production in non-life branches are either foreign companies or companies having foreigners as their majority shareholders. It is also known that several more foreign establishments have filed applications with, and are in the process of obtaining permission from, the Turkish Treasury to set up or acquire companies. Foreigners' interest is expected to be ongoing in the period coming, which is going to result in further reduction in the number of Turkish insurance companies after a while.

Other important developments of 2007 in the insurance industry
Although year-end 2007 data are yet to be published, according to the results for the first three quarters provided by the Association of the Insurance and Reinsurance Companies of Turkey, the total premium production of the insurance industry grew 14% year-on. It is estimated that the growth in the industry will stand in the range of 13 to 15% as at year-end. Although the ratio of increase in 2007 premiums is above the annual CPI declared as 8.39%, it floats below the increase ratios of previous years.

While transition to partial deregulation in traffic insurance stands out as another key development in 2007, the long-standing losses continue in this branch, regardless of the amounts transferred from financial accounts.

In parallel with the practices in the European Union, the new legal framework for liability insurance imposes the obligation to purchase liability insurance for individuals practicing certain professions and activities.

Upon the introduction of the Private Pension System, the decline experienced in the life branch in the recent years is expected to be sustained also in 2007, resulting in a year-on decline of premium in this branch.

In 2007 the legal infrastructure of the insurance industry was renewed, the insurance bill was accepted by the Turkish Parliament and enacted on 03 June 2007.

An Overview of the Worldwide Reinsurance Market in 2007

Although there were no major catastrophe losses affected the reinsurers in 2007, it was a more adverse year compared with 2006 in terms of both total amount of losses, and frequency of losses.

The last quarter of the year resulted in the issuance of cat bonds worth USD 1.6 billion. With cat bonds of USD 7 billion issued, 2007 marked the most active year in the history of this market.

Having generated record high technical profits in 2006, which represented the third year of lowest damages caused by natural disasters following 1997 and 1998 in the past two decades, international reinsurers failed to achieve their premium targets in 2007 due to decreased prices. Soft market conditions coupled with the insurance companies' tendency to turn to higher retention ratios and to non-proportional reinsurance have led many reinsurance companies to revise their premium forecasts, and the increase in 2007 reinsurance premium production remained below the projected level.

Although there were no major catastrophe losses affecting the reinsurers in 2007, 4 earthquakes that measured above 7 on the Richter scale, 5 category-2 hurricanes, as well as the Kyrill windstorm that affected the Northern Europe causing about USD 6 billion of loss, record floods in the UK, and forest fires in California and in Greece took place during the year. These events made 2007 a more adverse year compared with 2006 in terms of total amount of losses, as well as frequency of losses.

USD 16 billion in 2006, the total insured catastrophe loss for 2007 is estimated as USD 25 billion by Swiss Re and USD 30 billion by Munich Re. Underlining the increase in the number of occurrences, Munich Re states that there has been a 12% increase from 2006 to 2007, which signifies the highest climb according to the records kept since 1974.

Yet reinsurers closed the year 2007 with high technical profitability, as in 2006, due to the fact that the actual cost of losses did not surpass the forecasts. The slackening tendency in the prices in line with the extraordinary profitability that has been ongoing for the past two years manifested itself also in 2008 renewals and the market conditions worked in favor of reinsurance buyers.

The reinsurers, having further strengthened their capital structures with the record high profits generated, continued to adhere to their competitive attitude in order to sustain the levels of profitability, and also to ensure geographical distribution. Therefore, reinsurance supply has been above the demand, forcing reinsurers to settle for lower shares than they would have liked to write when accepting business. Due to the competitive market dynamics, Lloyd's syndicates excluded, reinsurers returned the idle capital of USD 9.4 billion generated to their shareholders, whereas some Lloyd's syndicates cut down on their 2008 capacities.

Another development in reinsurance markets during the year was attempts by certain European and Bermudian companies to be positioned in hubs such as Zurich and Dublin that stand out with their proximity to the target customer audience as well as the attractive conditions arising from legislation, taxation and workforce.

The credit crisis that had a major effect on the capital markets in 2007 did not have a significant impact on 2008 renewals. In the long term, the crisis is not anticipated to have a large-scale reflection on the insurance and reinsurance markets apart from in specific branches such as directors' and officers' liability insurance (D&O policies). As a matter of fact, the collapse in the capital markets augmented these markets' interest in insurance risks in 2007, resulting in the issuance of cat bonds worth USD 1.6 billion in the last quarter of the year. With cat bonds of USD 7 billion issued, 2007 marked the most active year in the history of this market.

Turkish Reinsurance Market in 2007

For the Turkish insurance companies, 2007 was remarkable with respect to renewals since no cessions were made to the Decree Pool system, which was terminated as at the end of 2006 and to which they had been offering shares from their reinsurance treaties since 1970.

Upon abolition of this capacity, Milli Re renewed part of the business ceded to the Decree Pool in its own name, as had been notified to the relevant companies prior to renewals, and the remaining portion has been covered by foreign reinsurers. Therefore no capacity shortages were faced with in 2007 renewals.

Paralleling the investments of the foreign capital in the Turkish market, 2007 saw the continued acquisition of Turkish insurance companies by foreign companies or shareholding established therewith, which had gained momentum in 2006. This development has brought along significant changes in the Turkish reinsurance market. Foreign companies acquiring, or investing capital in local companies opt for the non-proportional reinsurance method, since they possess robust capital structures as well as large portfolios in which geographical distribution is secured.

On the other hand, foreign companies use the entirety of the excess of loss treaties of acquired domestic companies within the group, and tend to preserve the same under a joint retrocession program either separately for their portfolio in Turkey or so as to cover their liabilities in other similar countries. It is common belief that this trend, which reduces the weight of proportional reinsurance treaties that are still highly widespread in the Turkish insurance market, will be ongoing in the future.

Absence of events that would cause major losses to the reinsurers in the Turkish market in 2007, as was the case in the worldwide reinsurance market, was reflected on the costs of reinsurance cover purchased by insurance companies in 2008 renewals. This resulted in around 10% discount in catastrophic excess of loss prices, and some decline in the prices of no-claim risk layers, in view of the overall market information.

The total catastrophic coverage purchased directly by the insurance companies for 2008 increased to EUR 2.5 billion, up 25% year-on, with a corresponding premium of approximately EUR 56.5 million. Including the catastrophic coverage obtained by TCIP and Milli Re, total coverage for the market reaches EUR 4.1 billion with estimated premium amounting to EUR 120 million.

In proportional contracts, commission rates have been reviewed depending on the companies' performances in the relevant branch, and some companies increased capacities in their reinsurance contracts relating particularly to property insurance.

The total catastrophic coverage purchased directly by the insurance companies for 2008 increased to EUR 2.5 billion, up 25% year-on.

Milli Re in 2007

Successful financial results

Having an insight into the industry in which it operates and making pinpointed use of its potential, Milli Re considers 2007 as a successful and profitable year of operation. Milli Re's total assets rose 8% in 2007, reaching TRY 1,222.9 million, and up 31.7%, its shareholders' equity arrived at TRY 706.9 million. Posting a technical income of TRY 1,443.7 million, Milli Re's profit for the period was TRY 72.7 million, which corresponds to a 50% growth.

In operational terms, Milli Re gradually reduced its share in motor business for which it offers coverage on quota-share basis, as announced by the company at the time of 2007 renewals. In line with its policy to give more weight to non-proportional treaties in its portfolio, Milli Re accepted lower shares from proportional contracts in other branches and increased its participation in non-proportional contracts, both in 2007 and 2008 renewals.

The first step of initiatives in overseas countries

Mostly active in the Turkish insurance market in the past, Milli Re launched initiatives from 2006 onwards, in line with its strategy to operate also in foreign countries.

Turning towards certain Asian and African countries' markets it had been following closely for over 30 years as the manager of FAIR Pool, Milli Re aims in this way to balance the company's local acceptances with the foreign business. This new strategy was also driven by the saturation point reached in terms of volume of business from the local market, the stability gained by the national currency against other currencies, and the FSR assigned by A.M. Best rating agency, which bears great significance in international reinsurance relations.

The severe competition dominating today's reinsurance markets compel additions to classic market channels of broker and market visits, and require actual presence in the relevant regions and markets as the most efficient way of production. In line with this, it is deemed highly useful for the company to open regional offices following in the footsteps of many other reinsurance companies operating in the international arena.

Competent human resource

Human resources strategies at Milli Re are structured so as to ensure thorough analysis of processes and systems, as well as the organization's current and future needs to achieve its strategic goals, to help develop the human resource that best fits these needs and to maintain a proactive organizational structure.

Competencies and qualities required to be possessed by the human resource are reviewed on the basis of needs of Milli Re, which is in the process of evolution, improvement, and international expansion.

Milli Re employed 194 people in 2007.

Posting a technical income of TRY 1,443.7 million in 2007, Milli Re's profit for the period was TRY 72.7 million, which corresponds to a 50% growth.

Milli Re's Technical Results in 2007

Although official 2007 results for the Turkish insurance industry are yet to be published, it is estimated on the basis of the data for the first three quarters announced by the Association of the Insurance and Reinsurance Companies of Turkey that the total premium production of the Turkish insurance industry has grown 13 to 15% in 2007, amounting to nearly TRY 11 billion.

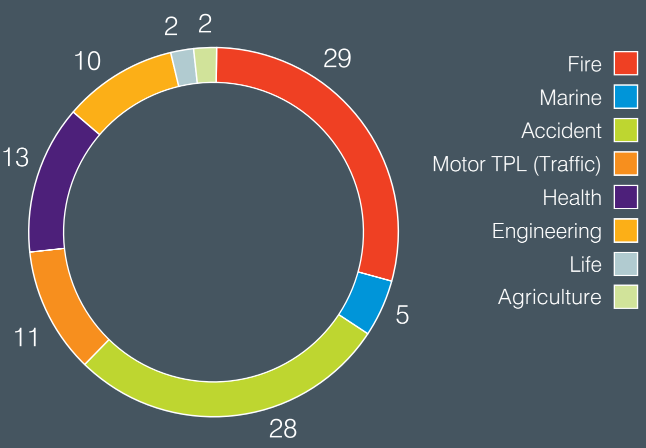
It is estimated that the rate of increase in 2007 premiums will be above the annual CPI published as 8.39% for the same period.

In 2007, Milli Re produced a total premium of TRY 838,198,590. The year-on decline by 1.78% in premium amount was mainly the result of the non-renewal of some reinsurance contracts due to the measures taken by the company for poorly performing branches, particularly motor and health.

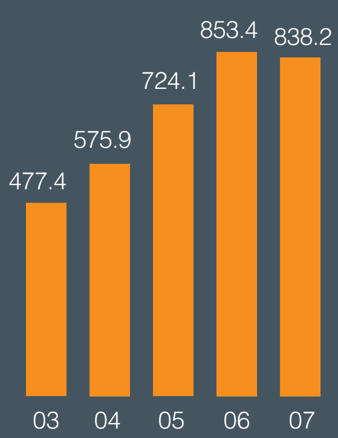
Milli Re's branch-wise breakdown of premium production is different from that of the market as a whole. The need for reinsurance coverage particularly in life insurance is very limited, which is the reason why this branch constitutes only a small percentage of Milli Re's portfolio.

The amount of premium that Milli Re retroceded to reinsurers in 2007 is TRY 76,185,248, which corresponds to 9% of its written premium during the year. In other words, the company retained 91% of the total premium it produced in 2007. This figure represents a higher retention ratio compared with the previous years.

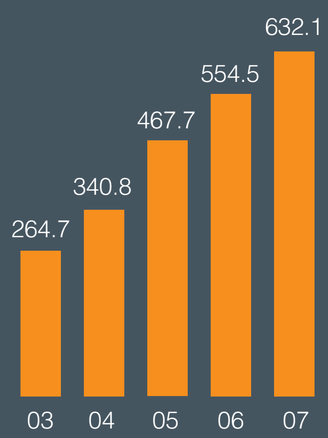
2007 Premium Income (%)



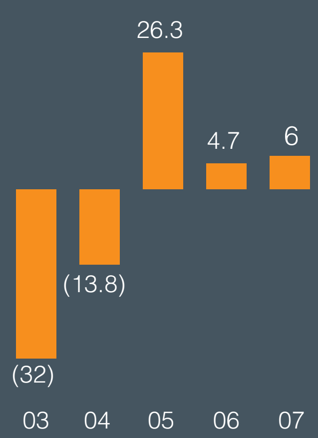
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re retained 91% of the total premium written in 2007. This figure represents a higher retention ratio compared with the previous years.

Technical Profitability Ratios (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	68	70	68	74	75
Loss Ratio (Net)	73	74	73	77	78
Expense Ratio	26	23	22	23	23
Combined Ratio	94	93	90	97	98

Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**1,409,813,980.59**	**1,443,738,234.31**	**2.41**
A) Premiums	853,428,751.96	838,198,590.24	(1.78)
B) Commissions	19,516,385.72	13,071,484.98	(33.02)
C) Retrocessionaires' Share in Losses Paid	38,265,195.97	49,219,411.51	28.63
D) Technical Provisions Brought Forward (Net)	392,331,935.94	455,780,541.87	16.17
a) Provision for Unearned Premiums	219,789,638.58	239,288,047.21	8.87
b) Provision for Outstanding Losses	171,315,204.55	214,798,490.07	25.38
c) Mathematical Reserves (Life)	759,494.57	924,970.89	21.79
d) Provision for Outstanding Indemnities (Life)	467,598.24	769,033.70	64.46
E) Retrocessionaires' Share in Technical Provisions	72,717,192.61	49,997,367.05	(31.24)
a) Provision for Unearned Premiums	17,092,909.34	6,903,714.94	(59.61)
b) Provision for Outstanding Losses	55,045,316.63	42,655,988.43	(22.51)
c) Mathematical Reserves (Life)	578,966.64	437,663.68	(24.41)
F) Other Income	10,658,046.05	4,832,071.46	(54.66)
G) Investment Income Transferred from Non-Technical Account	22,200,068.67	31,772,406.87	43.12
H) Investment Income (Life)	696,403.67	866,360.33	24.40
II- TECHNICAL EXPENSES	**1,405,097,993.67**	**1,437,779,295,32**	**2.33**
A) Premiums Ceded to Retrocessionaires	107,312,874.69	76,185,248.22	(29.01)
B) Commissions Paid	196,203,742.21	185,626,449.51	(5.39)
C) Losses Paid	554,460,069.52	632,145,778.60	14.01
D) Technical Provisions	533,817,946.67	523,006,563.49	(2.03)
a) Provision for Unearned Premiums	256,380,956.55	254,415,147.30	(0.77)
b) Provision for Outstanding Losses	269,843,806.70	266,451,493.66	(1.26)
c) Contingency Fund for Earthquake	5,320,212.19	0.00	(100.00)
d) Mathematical Reserves (Life)	924,970.89	1,138,141.78	23.05
e) Provision for Outstanding Indemnities (Life)	1,348,000.34	1,001,780.75	(25.68)
E) Other Expenses	2,863,490.77	9,894,834.64	245.55
F) Investment Expenses Transferred to Non-Life Technical Account	10,039,874.60	10,431,289.23	3.90
G) Operating Expenses (Life)	399,995.21	489,131.63	22.28
III- TECHNICAL PROFIT/LOSS (I-II)	**4,715,986.92**	**5,958,938.99**	**26.36**

Fire Insurance

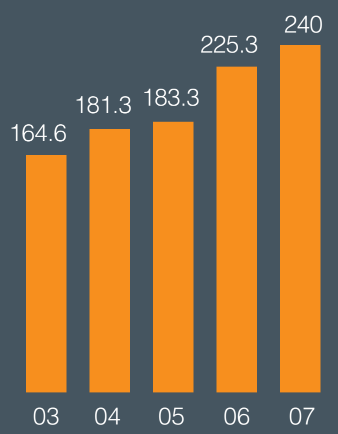
Total premiums written for the Turkish market in the fire branch is estimated to be around TRY 1,730 million in 2007, registering a year-on increase of 9%.

Heavy price competition prevailing in the previous years continued also in 2007. A new product for the Turkish market, mortgage policies, providing coverage for the loan term, were launched and started to be sold.

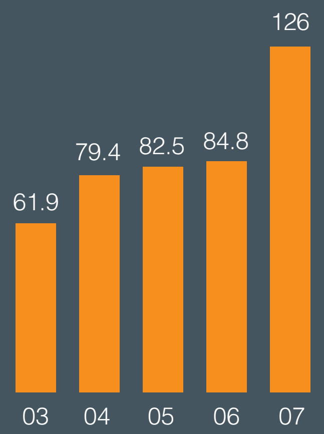
During the reporting period in which no major losses in the fire branch have occurred, flood losses that occurred on different dates in various regions and cities of Turkey partially affected the industry. However, 2007 can be described as a positive year. The insurance companies were not confronted with any difficulties in 2007 reinsurance renewals and placements owing to the positive results posted.

Having secured 7% increase, Milli Re registered TRY 240,034,824 premium in the fire branch in 2007. Losses paid went up 49% to TRY 126,044,125. Gross loss ratio stood, as in 2006, at 53%. TRY 20,710,142 profit was realized in the fire net retained account in the reporting period.

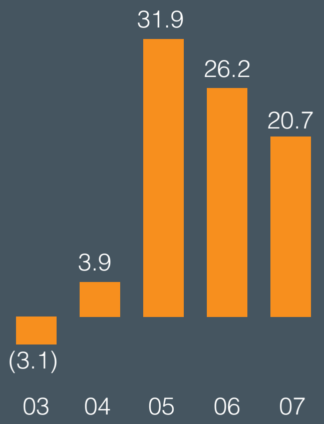
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Having secured 7% increase, Milli Re registered TRY 240,034,824 premium in the Fire branch in 2007.

Profitability Ratios in the Fire Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	43	47	41	53	53
Loss Ratio (Net)	47	53	49	59	62
Expense Ratio	25	23	23	22	23
Combined Ratio	68	70	64	75	76

Fire Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**368,718,733.99**	**396,769,724.01**	**7.61**
A) Premiums	225,345,162.95	240,034,824.49	6.52
B) Commissions	8,048,419.41	5,029,822.83	(37.51)
C) Retrocessionaires' Share in Losses Paid	13,916,666.44	19,683,850.60	41.44
D) Technical Provisions Brought Forward (Net)	75,235,018.16	101,324,404.86	34.68
a) Provision for Unearned Premiums	25,508,092.97	26,648,079.16	4.47
b) Provision for Outstanding Losses	49,726,925.19	74,676,325.70	50.17
E) Retrocessionaires' Share in Technical Provisions	31,979,408.12	17,772,330.44	(44.43)
a) Provision for Unearned Premiums	4,649,485.24	2,322,079.30	(50.06)
b) Provision for Outstanding Losses	27,329,922.88	15,450,251.14	(43.47)
F) Other Income	8,508,619.58	4,374,536.55	(48.59)
G) Investment Income Transferred from Non-Technical Account	5,685,439.33	8,549,954.24	50.38
II- TECHNICAL EXPENSES	**342,471,848.06**	**376,059,582.20**	**9.81**
A) Premiums Ceded to Retrocessionaires	61,525,270.83	41,287,014.48	(32.89)
B) Commissions Paid	53,101,458.87	54,165,034.24	2.00
C) Losses Paid	84,785,011.87	126,044,125.23	48.66
D) Technical Provisions	138,465,883.78	143,919,630.21	3.94
a) Provision for Unearned Premiums	31,297,564.40	52,077,860.95	66.40
b) Provision for Outstanding Losses	102,006,248.58	91,841,769.26	(9.96)
c) Contingency Fund for Earthquake	5,162,070.80	0.00	(100.00)
E) Other Expenses	2,023,010.96	7,836,718.19	287.38
F) Investment Expenses Transferred to Non-Life Technical Account	2,571,211.75	2,807,059.85	9.17
III- TECHNICAL PROFIT/LOSS (I-II)	**26,246,885.93**	**20,710,141.81**	**(21.09)**

Marine Insurance

In 2007, marine insurance performed similarly to 2006 across the industry. It is estimated that the premium production in this branch will register a year-on increase by nearly 10% and reach TRY 380 million, in line with the growing trade volume.

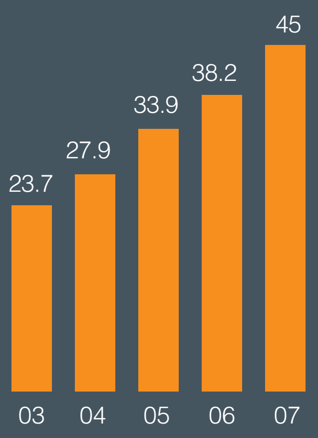
Although there was an increase in marine premiums in 2007, the share of marine insurance within the total premium including life stood at the same level as the previous year, i.e. around 3.5%.

A big part of premium written in the marine branch is for cargo insurance issued in respect of the transport of imported/exported cargoes. The desired level of policy and premium production could not be achieved also in 2007 despite the increased volume of imports and exports, due to the stipulation imposed by counterparty importers and exporters that insurance coverage be obtained from their own country, the ongoing fierce competition between the insurance companies, and the decline in exchange rates.

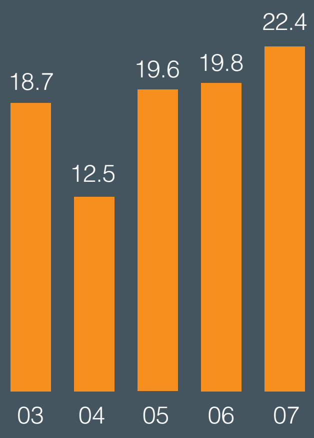
On the part of hull insurance, the rise caused in the hull values by the increase in freight markets could be balanced by the decrease in hull insurance prices. Demand for builders' risk insurance sustained its upward trend in connection with the increased construction volume. In builders' risk insurance segment, the London market introduced on 01 September 2007 a new set of clauses named "London MarCAR 2007 [Marine Construction All Risks]".

Milli Re produced TRY 45,001,068 premium in the marine branch in 2007, registering a year-on rise of 18%. The company's gross loss ratio in marine insurance was 60% in 2007, as opposed to 71% in 2006. Consequently, the net retained account for this branch generated TRY 6,746,347 in profit.

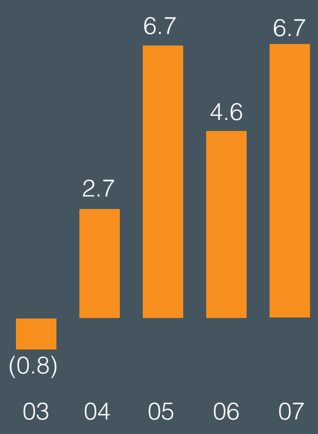
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re produced TRY 45,001,068 premium in the Marine branch in 2007, registering a year-on rise of 18%.

Profitability Ratios in the Marine Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	75	72	44	71	60
Loss Ratio (Net)	70	50	51	55	52
Expense Ratio	30	30	28	27	28
Combined Ratio	105	102	72	98	88

Marine Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**77,713,908.28**	**88,232,460.55**	**13.53**
A) Premiums	38,213,058.24	45,001,068.12	17.76
B) Commissions	1,948,254.25	1,514,800.40	(22.25)
C) Retrocessionaires' Share in Losses Paid	3,351,784.31	5,307,426.79	58.35
D) Technical Provisions Brought Forward (Net)	18,645,270.78	19,024,128.34	2.03
a) Provision for Unearned Premiums	4,846,484.63	5,224,626.11	7.80
b) Provision for Outstanding Losses	13,798,786.15	13,799,502.23	0.01
E) Retrocessionaires' Share in Technical Provisions	14,369,349.96	15,829,903.50	10.16
a) Provision for Unearned Premiums	1,307,326.30	689,485.59	(47.26)
b) Provision for Outstanding Losses	13,062,023.66	15,140,417.91	15.91
F) Other Income	131,687.65	106,311.67	(19.27)
G) Investment Income Transferred from Non-Technical Account	1,054,503.09	1,448,821.73	37.39
II- TECHNICAL EXPENSES	**73,159,386.07**	**81,486,113.38**	**11.38**
A) Premiums Ceded to Retrocessionaires	7,954,807.03	6,650,718.36	(16.39)
B) Commissions Paid	11,398,799.64	13,061,114.99	14.58
C) Losses Paid	19,813,432.61	22,401,715.33	13.06
D) Technical Provisions	33,393,478.30	38,335,961.54	14.80
a) Provision for Unearned Premiums	6,531,952.41	7,460,582.13	14.22
b) Provision for Outstanding Losses	26,861,525.89	30,875,379.41	14.94
E) Other Expenses	121,974.44	560,936.38	359.88
F) Investment Expenses Transferred to Non-Life Technical Account	476,894.05	475,666.78	(0.26)
III- TECHNICAL PROFIT/LOSS (I-II)	**4,554,522.21**	**6,746,347.17**	**48.12**

Accident Insurance

Due to the continued increase in cost of losses despite revised prices implemented by insurance companies in motor own damage insurance along with the loss payments for the business from previous years, the motor own damage branch once again posted loss in 2007, even if there was some decrease in the loss figure.

As was the case in previous years, theft and plate-glass covers were generally provided under fire package policies at a very low price in 2007, resulting in an increase in the loss ratios for these lines of business.

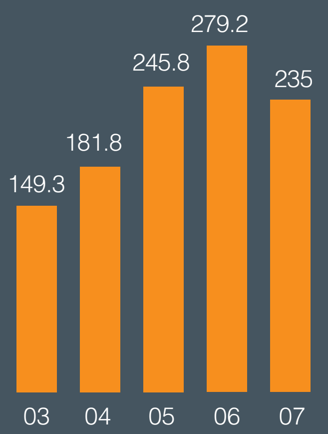
The positive consequences lived on also in the reporting period in liability insurance, which were contributed by the obligation to purchase insurance as legally imposed in line with Turkey's EU accession process and the increasing awareness for the necessity of liability coverage. The rise in premium production is expected to be ongoing in this branch in the years to come.

On 01 July 2007, General Conditions for Compulsory Sea Pollution Liability Insurance for On-shore Establishments, and on 03 May 2007 Professional Liability Clauses for Accountants, Public Accountants, Financial Advisors and Certified Financial Advisors were published in the Official Gazette and were put into effect.

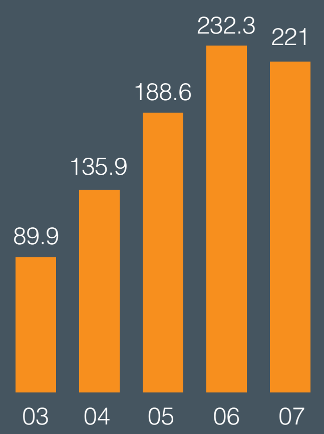
Decrease in the interest rates charged by banks in respect of housing loans and personal accident policies purchased for customers receiving the loans led to a growth in this branch. With its successful performance, this line of business is a major factor in the profit realized in the technical profit/loss account by the accident branch.

Milli Re's premium production in the accident branch between 2002 and 2006 accounted for 7% to 10% of the market's total premium. This percentage is estimated to decrease in 2007 owing to the company's withdrawal from or reducing its share in motor reinsurance contracts of certain cedants. The premium written in 2007 in the accident branch were worth TRY 234,988,480, representing a year-on decline by 16%. Down year-over by 5% and 9%, losses paid and outstanding losses registered TRY 220,968,551 and TRY 59,708,187, respectively. In view of these, the company's accident branch retained accounts showed a positive result of TRY 1,859,297.

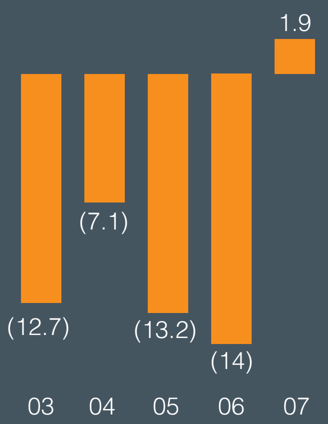
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



In 2007, Milli Re registered TRY 1,859,297 technical profit in the Accident branch.

Profitability Ratios in the Accident Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	86	84	88	89	84
Loss Ratio (Net)	87	85	89	89	84
Expense Ratio	23	21	19	19	22
Combined Ratio	109	105	107	108	106

Accident Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**463,757,368.64**	**430,713,693.49**	**(7.13)**
A) Premiums	279,178,028.35	234,988,479.86	(15.83)
B) Commissions	4,016,215.83	2,577,241.17	(35.83)
C) Retrocessionaires' Share in Losses Paid	10,785,666.22	11,477,366.15	6.41
D) Technical Provisions Brought Forward (Net)	150,204,796.59	165,809,516.38	10.39
a) Provision for Unearned Premiums	97,713,553.76	105,590,961.29	8.06
b) Provision for Outstanding Losses	52,491,242.83	60,218,555.09	14.72
E) Retrocessionaires' Share in Technical Provisions	10,730,609.32	5,191,268.63	(51.62)
a) Provision for Unearned Premiums	5,336,542.05	1,099,317.18	(79.40)
b) Provision for Outstanding Losses	5,394,067.27	4,091,951.45	(24.14)
F) Other Income	1,216,329.61	73,723,41	(93.94)
G) Investment Income Transferred from Non-Technical Account	7,625,722.72	10,596,097.89	38.95
II- TECHNICAL EXPENSES	**477,767,620.63**	**428,854,396.46**	**(10.24)**
A) Premiums Ceded to Retrocessionaires	14,924,370.38	7,335,776.43	(50.85)
B) Commissions Paid	50,357,453.02	47,702,398.10	(5.27)
C) Losses Paid	232,277,904.97	220,968,550.98	(4.87)
D) Technical Provisions	176,540,125.70	148,950,330.10	(15.63)
a) Provision for Unearned Premiums	110,927,503.34	89,242,142.97	(19.55)
b) Provision for Outstanding Losses	65,612,622.36	59,708,187.13	(9.00)
E) Other Expenses	219,069.57	418,505.87	91.04
F) Investment Expenses Transferred to Non-Life Technical Account	3,448,696.99	3,478,834.98	0.87
III- TECHNICAL PROFIT/LOSS (I-II)	**(14,010,251.99)**	**1,859,297.03**	**+**

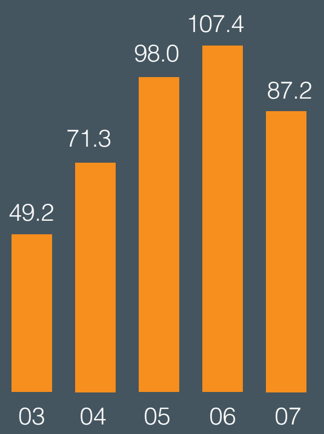
Motor Third Party Liability (Traffic) Insurance

The revisions made to the tariff relating to Motor TPL on 01 January 2007 and 01 August 2007 led to a 39% increase in limits of cover and 19% increase in premiums compared with 2006, and granted the insurance companies the flexibility to apply certain ratios of bonus (5%) and malus (10%) on the basis of the premiums stated in the tariff. Despite a certain level of growth achieved both in premium production and in the number of insureds thanks to the uniformity of practice among the insurance companies ensured by TRAMER, the Traffic Insurance Information Center set up under the Association of the Insurance and Reinsurance Companies of Turkey, this branch posted loss in 2007.

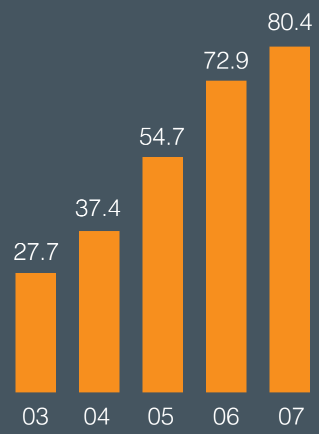
Although the Compulsory Highway Transport Liability insurance was introduced in 2004, the anticipated development has not been achieved due to problems encountered in the carrier licenses issued by the Ministry concerned.

Milli Re's premium income for this branch stood at TRY 87,197,061 in 2007, which represents a year-on decline by 19%. This is a result of withdrawal from the reinsurance contracts with certain ceding companies or the reduction of shares therewith. Loss ratio realized as 89% in this branch, as an outcome of the losses paid on policies from previous years and outstanding losses. Consequently, TRY 1,165,178 technical loss was sustained in the retained account in this branch.

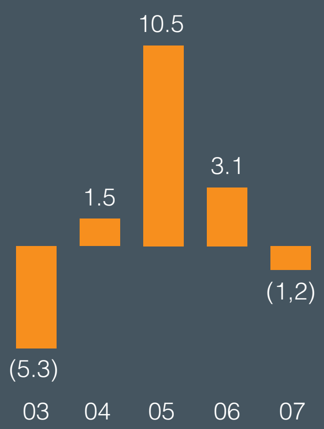
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re's premium income for Motor TPL (Traffic) branch stood at TRY 87,197,061 in 2007.

Profitability Ratios in the Motor TPL (Traffic) Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	81	75	67	72	89
Loss Ratio (Net)	81	73	67	73	87
Expense Ratio	29	24	25	27	21
Combined Ratio	110	99	92	99	110

Motor TPL (Traffic) Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**183,104,450.10**	**170,323,218.85**	**(6.98)**
A) Premiums	107,385,429.97	87,197,061.41	(18.80)
B) Commissions	451,449.61	152,176.90	(66.29)
C) Retrocessionaires' Share in Losses Paid	952,994.07	2,499,559.50	162.28
D) Technical Provisions Brought Forward (Net)	69,798,453.30	75,927,498.29	8.78
a) Provision for Unearned Premiums	38,873,667.32	42,686,865.50	9.81
b) Provision for Outstanding Losses	30,924,785.98	33,240,632.79	7.49
E) Retrocessionaires' Share in Technical Provisions	885,979.69	270,121.49	(69.51)
a) Provision for Unearned Premiums	455,034.33	(66,838.06)	-
b) Provision for Outstanding Losses	430,945.36	336,959.55	(21.81)
F) Other Income	588,734.26	203,578.56	(65.42)
G) Investment Income Transferred from Non-Technical Account	3,041,409.20	4,073,222.70	33.93
II- TECHNICAL EXPENSES	**180,016,655.72**	**171,488,397.13**	**(4.74)**
A) Premiums Ceded to Retrocessionaires	1,792,228.97	288,248.31	(83.92)
B) Commissions Paid	26,855,106.32	16,445,354.48	(38.76)
C) Losses Paid	72,905,453.74	80,379,244.26	10.25
D) Technical Provisions	76,813,477.98	72,921,984.43	(5.07)
a) Provision for Unearned Premiums	43,141,899.83	34,874,166.90	(19.16)
b) Provision for Outstanding Losses	33,671,578.15	38,047,817.53	13.00
E) Other Expenses	274,925.87	116,274.33	(57.71)
F) Investment Expenses Transferred to Non-Life Technical Account	1,375,462.84	1,337,291.32	(2.78)
III- TECHNICAL PROFIT/LOSS (I-II)	**3,087,794.38**	**(1,165,178.28)**	**-**

Engineering Insurance

The growth achieved in engineering branch in 2007 was driven by the construction and erection projects undertaken by Turkish contractors in foreign countries and the obligation imposed on contractors to purchase construction covers for mass housing construction projects awarded by the Housing Development Administration (TOKİ).

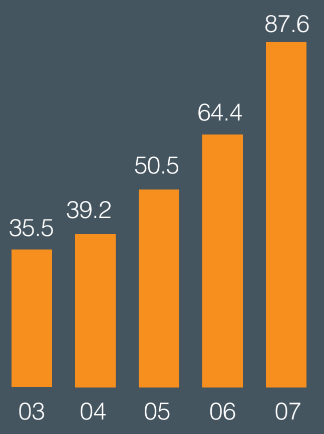
The price competition among companies continued on an increasing scale in 2007. The price competition and the amount of losses paid particularly in machinery breakdown insurance had a negative impact on the technical profitability in this branch.

Milli Re's premium production in engineering was TRY 87,636,718 in 2007, showing a 36% year-on growth.

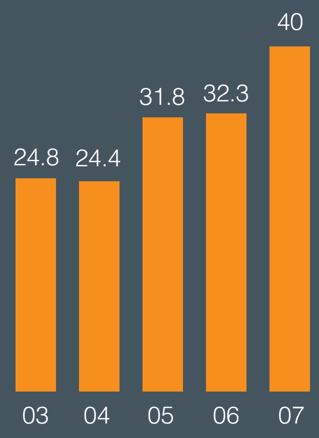
Losses paid in the reporting period by Milli Re for this branch amounted to TRY 40,049,537, registering a 24% year-on increase. Outstanding losses, on the other hand, also went up 24% compared with 2006 and reached TRY 38,263,422. As a result, the gross loss ratio for 2007 materialized as 58%.

Engineering branch yielded a TRY 4,194,945 loss in the retained account.

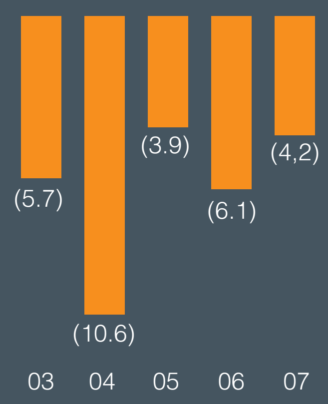
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re's premium production in Engineering branch was TRY 87,636,718 in 2007, showing a 36% year-on growth.

Profitability Ratios in the Engineering Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	79	77	66	69	58
Loss Ratio (Net)	95	94	70	74	65
Expense Ratio	34	33	33	31	34
Combined Ratio	113	110	99	100	92

Engineering Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**117,727,843.51**	**150,165,577.28**	**27.55**
A) Premiums	64,376,199.52	87,636,718.16	36.13
B) Commissions	3,864,004.60	2,937,119.45	(23.99)
C) Retrocessionaires' Share in Losses Paid	5,569,889.40	7,033,074.02	26.27
D) Technical Provisions Brought Forward (Net)	30,433,523.50	40,509,724.46	33.11
a) Provision for Unearned Premiums	13,312,866.29	17,677,734.13	32.79
b) Provision for Outstanding Losses	17,120,657.21	22,831,990.33	33.36
E) Retrocessionaires' Share in Technical Provisions	11,740,169.32	9,537,561.86	(18.76)
a) Provision for Unearned Premiums	3,664,801.68	2,248,219.44	(38.65)
b) Provision for Outstanding Losses	8,075,367.64	7,289,342.42	(9.73)
F) Other Income	176,732.57	71,258.51	(59.68)
G) Investment Income Transferred from Non-Technical Account	1,567,324.60	2,440,120.82	55.69
II- TECHNICAL EXPENSES	**123,872,918.61**	**154,360,522.30**	**24.61**
A) Premiums Ceded to Retrocessionaires	16,007,454.06	17,178,851.56	7.32
B) Commissions Paid	22,304,179.41	30,137,651.17	35.12
C) Losses Paid	32,319,444.71	40,049,537.92	23.92
D) Technical Provisions	52,408,035.17	65,536,228.55	25.05
a) Provision for Unearned Premiums	21,342,535.81	27,272,806.38	27.79
b) Provision for Outstanding Losses	30,907,357.97	38,263,422.17	23.80
c) Contingency Fund for Earthquake	158,141.39	0.00	(100.00)
E) Other Expenses	124,990.11	657,130.09	425.75
F) Investment Expenses Transferred to Non-Life Technical Account	708,815.15	801,123.01	13.02
III- TECHNICAL PROFIT/LOSS (I-II)	**(6,145,075.10)**	**(4,194,945.02)**	**(31.73)**

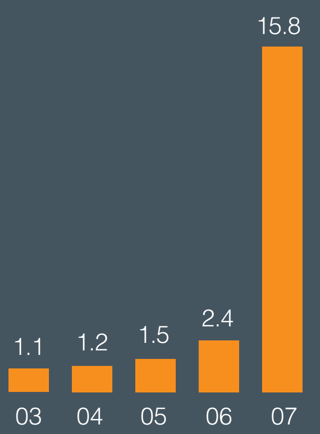
Agricultural Insurance

Agricultural insurance achieved growth in 2007, mainly contributed by the cheap credit made available to producers by the Ministry of Agriculture and Rural Affairs. Another factor leading to growth has been commencement of policy issuance by TARSİM (Agricultural Insurance Pool). Set up in accordance with the Agricultural Insurance Law that went into effect on June 14, 2005, TARSİM stipulates government support in respect of insurance premiums due from farmers registered in the system.

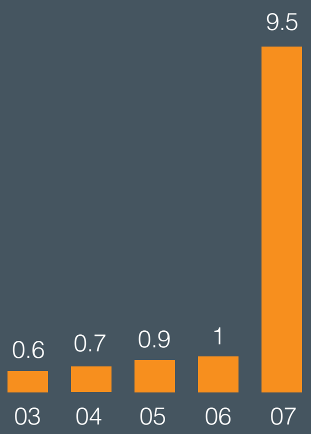
From the reinsurance contracts made in 2007 with TARSİM that started issuing policies in June 2006 and with the ceding companies, Milli Re wrote TRY 15,758,202 premiums. Last year's premium in this branch had amounted to TRY 2,381,723.

Standing at TRY 1,037,660 and TRY 465,773 in 2006, losses paid and outstanding losses totaled TRY 9,540,940 and TRY 1,019,158 respectively in the reporting period. Milli Re's loss ratio materialized as 73% in the agricultural branch and the retained account therefore yielded a loss of TRY 1,284,178 in 2007.

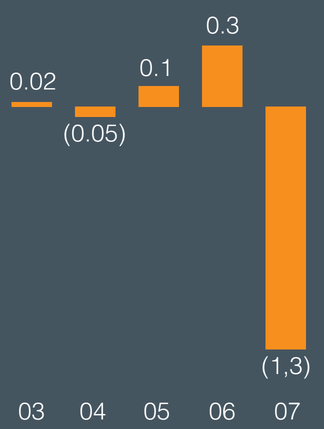
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re's premium income for Agricultural branch stood at TRY 15,758,202 in 2007.

Profitability Ratios in the Agricultural Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	60	71	60	54	73
Loss Ratio (Net)	68	74	59	47	74
Expense Ratio	20	20	19	18	33
Combined Ratio	80	91	79	72	106

Agricultural Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**3,749,223.79**	**17,145,668.81**	**357.31**
A) Premiums	2,381,723.30	15,758,202.30	561.63
B) Commissions	263,032.93	178,502.34	(32.14)
C) Retrocessionaires' Share in Losses Paid	452,663.59	541,681.44	19.67
D) Technical Provisions Brought Forward (Net)	233,260.07	410,081.90	75.80
a) Provision for Unearned Premiums	33,500.03	194,097.24	479.39
b) Provision for Outstanding Losses	199,760.04	215,984.66	8.12
E) Retrocessionaires' Share in Technical Provisions	368,146.05	163,419.76	(55.61)
a) Provision for Unearned Premiums	118,357.62	97,639.25	(17.50)
b) Provision for Outstanding Losses	249,788.43	65,780.51	(73.67)
F) Other Income	3,777.82	1,641.16	(56.56)
G) Investment Income Transferred from Non-Technical Account	46,620.03	92,139.91	97.64
II- TECHNICAL EXPENSES	**3,447,887.98**	**18,429,847.06**	**434.53**
A) Premiums Ceded to Retrocessionaires	946,391.05	616,530.03	(34.85)
B) Commissions Paid	644,399.63	4,953,195.77	668.65
C) Losses Paid	1,037,660.49	9,540,940.71	819.47
D) Technical Provisions	778,227.95	3,230,401.77	315.10
a) Provision for Unearned Premiums	312,454.86	2,211,243.78	607.70
b) Provision for Outstanding Losses	465,773.09	1,019,157.99	118.81
E) Other Expenses	20,125.15	58,528.06	190.82
F) Investment Expenses Transferred to Non-Life Technical Account	21,083.71	30,250.72	43.48
III- TECHNICAL PROFIT/LOSS (I-II)	**301,335.81**	**(1,284,178.25)**	**-**

Health Insurance

Important developments in the health branch in 2007 were as follows:

• Scheduled to be enforced with effect from 01 January 2007, the Law Governing General Health Insurance (GHI) was first postponed to 01 July 2007 then to 01 January 2008, and lastly to the second half of 2008. The uncertainty affecting GHI inevitably led to uncertainties in the planning of Private Health Insurance (PHI) by insurance companies.

• The "Communiqué on Insurance Branches" published under the Insurance Law no. 5684 changed the name of the "Health Branch" into "Sickness/Health Branch".

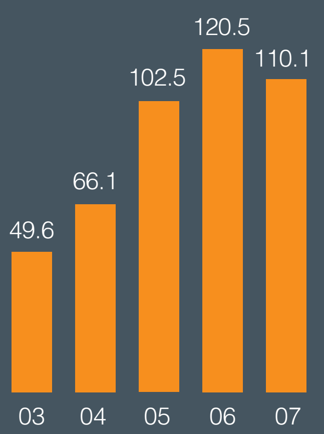
• Insurance companies are given the chance to provide critical illness coverage as an independent coverage, provided that they hold the necessary license in sickness branch.

Although the industry's premium production in health branch as at 31 December 2007 is not yet available, it is estimated to achieve a 27% growth and reach TRY 1,250 million.

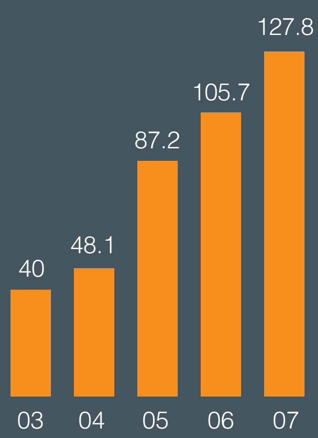
Milli Re's premium production in the health branch went down by 9% on an annual basis and amounted to TRY 110,120,683 in 2007. Paid losses increased by 21% and materialized as TRY 127,813,073. Gross loss ratio was 111%.

The telling factor for the increase in the negative trend was the run-offs of treaties that were not renewed in 2007 within the scope of various measures started to be taken to mitigate the effects of the industry's poor performance in health on Milli Re. It is expected that the positive impact of new measures started to be adopted will be seen in 2008.

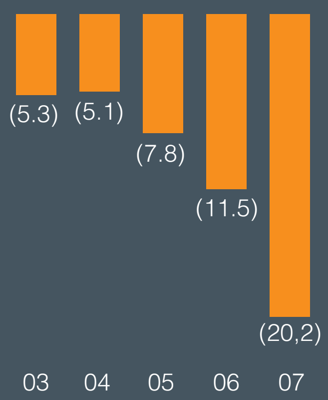
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



Milli Re's premium income for Health branch stood at TRY 110,120,683 in 2007.

Profitability Ratios in the Health Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	93	92	92	91	111
Loss Ratio (Net)	92	91	92	92	112
Expense Ratio	21	18	18	22	12
Combined Ratio	114	110	110	113	123

Health Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**172,880,150.41**	**167,363,656.34**	**(3.19)**
A) Premiums	120,465,076.20	110,120,683.19	(8.59)
B) Commissions	742,492.25	470,822.72	(36.59)
C) Retrocessionaires' Share in Losses Paid	2,425,880.49	2,610,690.26	7.62
D) Technical Provisions Brought Forward (Net)	44,483,239.78	48,906,047.98	9.94
a) Provision for Unearned Premiums	37,430,192.63	39,090,548.71	4.44
b) Provision for Outstanding Losses	7,053,047.15	9,815,499.27	39.17
E) Retrocessionaires' Share in Technical Provisions	1,552,547.51	683,362.61	(55.98)
a) Provision for Unearned Premiums	1,049,346.12	402,077.16	(61.68)
b) Provision for Outstanding Losses	503,201.39	281,285.45	(44.10)
F) Other Income	31,864.48	0.00	(100.00)
G) Investment Income Transferred from Non-Technical Account	3,179,049.70	4,572,049.58	43.82
II- TECHNICAL EXPENSES	**184,354,547.42**	**187,587,381,88**	**1.75**
A) Premiums Ceded to Retrocessionaires	3,030,988.15	1,867,585.76	(38.38)
B) Commissions Paid	23,672,866.22	10,974,320.66	(53.64)
C) Losses Paid	105,695,106.03	127,813,072.71	20.93
D) Technical Provisions	50,458,595.49	45,225,225.46	(10.37)
a) Provision for Unearned Premiums	40,139,894.83	38,529,465.29	(4.01)
b) Provision for Outstanding Losses	10,318,700.66	6,695,760.17	(35.11)
E) Other Expenses	59,281.42	206,114.72	247.69
F) Investment Expenses Transferred to Non-Life Technical Account	1,437,710.11	1,501,062.57	4.41
III- TECHNICAL PROFIT/LOSS (I-II)	**(11,474,397.01)**	**(20,223,725.54)**	**76.25**

Life Insurance

Highlights of 2007 with respect to life insurance were as follows:

• New Life Insurance Regulation went into effect on 05 November 2007.

• The following have been regulated with respect to critical illness coverage:
- Critical illness coverage may be provided by companies licensed in life branch but not licensed in health branch only on prepaid (accelerated) basis.
- It may be provided by companies holding licenses in life as well as health branch on prepaid basis, solo or as additional coverage to life.
- It may be provided by pension companies only on prepaid (accelerated) basis since they are not allowed to hold a license in health branch as per the Private Pension Law.

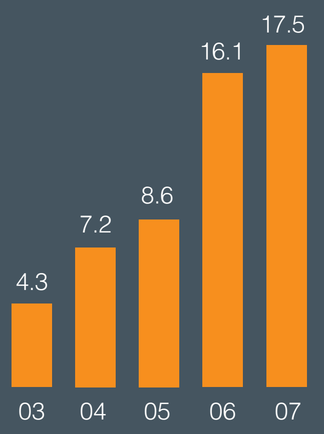
20 life insurance and pension companies were active in the life branch during 2007 out of which 10 are pension companies which also operate in the private pension sector. Upon merger of two pension companies during the year, the number of pension companies operating in the Private Pension Sector went down to 9. In addition to these companies, 4 insurance companies operating in non-life branches sustained their life portfolios from the previous years.

Although the industry's premium production in life branch as at 31 December 2007 is not yet available, it is estimated that there will be a 1.9% rise year-on in premium generation that will bring it up to TRY 1,410 million.

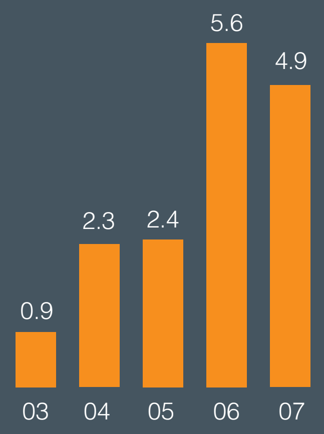
Because the Private Pension System increasingly replaced saving policies, the weight of new saving policies in the portfolio became insignificant. Once again bank credit life insurance has driven new premium production in the life branch, as it did last year.

In 2007, Milli Re's premium income from life branch increased by 9% year-on, and reached TRY 17,461,553. The company's gross loss ratio was 26% in 2007, as opposed to 42% in 2006. Consequently, life insurance retained account yielded a technical profit of TRY 3,511,180.

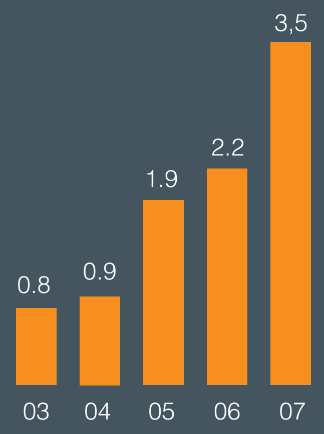
Premium Income (TRY mn)



Losses Paid (TRY mn)



Technical Profit/Loss (TRY mn)



In 2007, Milli Re's premium income from Life branch increased 9% year-on, and reached TRY 17,461,553.

Profitability Ratios in the Life Branch (%)	2003	2004	2005	2006	2007
Loss Ratio (Gross)	24	37	33	42	26
Loss Ratio (Net)	25	39	36	34	29
Expense Ratio	48	42	36	50	48
Combined Ratio	72	79	69	92	74

Life Branch Technical Results (TRY)	2006	2007	Change (%)
I- TECHNICAL INCOME	**22,162,301.87**	**23,024,234.98**	**3.89**
A) Premiums	16,084,073.43	17,461,552.71	8.56
B) Commissions	182,516.84	210,999.17	15.61
C) Retrocessionaires' Share in Losses Paid	809,651.45	65,762.75	(91.88)
D) Technical Provisions Brought Forward (Net)	3,298,373.76	3,869,139.66	17.30
a) Provision for Unearned Premiums	2,071,280.95	2,175,135.07	5.01
b) Mathematical Reserves (Life)	759,494.57	924,970.89	21.79
c) Provision for Outstanding Indemnities (Life)	467,598.24	769,033.70	64.46
E) Retrocessionaires' Share in Technical Provisions	1,090,982.64	549,398.76	(49.64)
a) Provision for Unearned Premiums	512,016.00	111,735.08	(78.18)
b) Mathematical Reserves (Life)	578,966.64	437,663.68	(24.41)
F) Other Income	300.08	1,021.60	240.44
G) Investment Income (Life)	696,403.67	866,360.33	24.40
II-TECHNICAL EXPENSES	**20,007,129,18**	**19,513,054,91**	**(2.47)**
A) Premiums Ceded to Retrocessionaires	1,131,364.22	960,523.29	(15.10)
B) Commissions Paid	7,869,479.10	8,187,380.10	4.04
C) Losses Paid	5,626,055.10	4,948,591.46	(12.04)
D) Technical Provisions	4,960,122.30	4,886,801.43	(1.48)
a) Provision for Unearned Premiums	2,687,151.07	2,746,878.90	2.22
b) Mathematical Reserves (Life)	924,970.89	1,138,141.78	23.05
c) Provision for Outstanding Indemnities (Life)	1,348,000.34	1,001,780.75	(25.68)
E) Other Expenses	20,113.25	40,627.00	101.99
F) Operating Expenses (Life)	399,995.21	489.131.63	22.28
III-TECHNICAL PROFIT/LOSS (I-II)	**2,155,172.69**	**3,511,180.07**	**62.92**

An Evaluation of 2007 Financial Results

In accordance with the new uniform chart of accounts for the insurance industry that was put in effect as of 01 January 2005, part of the income and expense items for the year 2007 were transferred to the technical accounts for the related branches. Detailed information on this application is presented in the section titled “Notes to the Income Statement for 2007” of this Annual Report.

In 2007, the company's financial income was TRY 131,590,904.48, signifying a year-on rise of 36.48%. The high level of interest rates maintained throughout 2007 resulted in a 78.98% year-on increase in the interest income item, and profit share income displayed a growth by 67.45%, largely due to the increase in profit shares from a particular affiliate.

As the company's sales profits grew 28.99% resulting from the trading of the stocks in the investment portfolio, there was a 42.27% decline in the company's rental income on annual basis, arising from the sale of some real estates by end 2006 which were being kept for investment purposes.

Due to the downward move in exchange rates in 2007 compared with the prior year, the company's currency translation gains dropped 78.11% year-on.

In the reporting period, the company's financial expenses increased by 36.20% compared with 2006, and materialized as TRY 45,994,434.75. While there was some decrease in the losses from the sale of stocks and other expenses item, as well as in provisions for doubtful receivables, there were significant increases in the company's tax obligations and currency translation losses resulting from decreased exchange rates.

The company's general expenses in 2007 maintained the level in the prior year and materialized as TRY 18,879,748.83. While the administrative expenses, amortization expenses, and provision for employment termination benefits declined year-on, there was a limited increase in personnel expenses, as well as in taxes and other obligations.

At the bottom line, the company was able to increase its financial profit to TRY 66,716,720.90 in 2007, with a 52.68% rise compared with the 2006 figure of TRY 43,697,148.17.

Milli Re was able to increase its financial profit to TRY 66,716,720.90 in 2007, with a 52.68% rise compared with the 2006 figure of TRY 43,697,148.17.

Financial Results (TRY)	2006	2007	Change (%)
I- FINANCIAL INCOME	**96,418,078.71**	**131,590,904.48**	**36.48**
Interest Income	61,145,797.67	109,438,701.21	78.98
Profit Share Income	4,542,889.33	7,606,978.32	67.45
Sales Profits	4,653,632.34	6,002,653.12	28.99
Rental Income	7,546,438.37	4,356,831.33	(42.27)
Currency Translation Gains	18,457,957.04	4,041,288.12	(78.11)
Other Income	71,363.96	144,452.38	102.42
II- FINANCIAL EXPENSES	**33,770,321.52**	**45,994,434.75**	**36.20**
Sales Losses	2,695,361.93	2,268,078.92	(15.85)
Currency Translation Losses	6,798,863.07	16,279,269.34	139.44
Impairment Provisions	339,864.71	(1,222,798.25)	-
Tax Provisions	16,662,510.04	22,018,666.17	32.14
Other Expenses	7,273,721.77	6,651,218.57	(8.56)
III- GENERAL EXPENSES	**18,950,609.02**	**18,879,748.83**	**(0.37)**
Personnel Expenses	7,703,835.04	8,612,158.17	11.79
Administrative Expenses	2,956,442.35	1,867,880.69	(36.82)
Taxes and Other Obligations	5,736,158.49	6,064,531.04	5.72
Amortization Expenses	2,262,332.56	2,144,401.80	(5.21)
Provision for Employment Termination Benefits	291,840.58	190,777.13	(34.63)
IV- FINANCIAL PROFIT/LOSS (I-II-III)	**43,697,148.17**	**66,716,720.90**	**52.68**

Annual Report Opinion for Compliance

To the Shareholders of Milli Reasürans Türk A.Ş.

We have audited compatibility of the financial information of Milli Reasürans Türk A.Ş. (the "Company") presented in the annual report as of 31 December 2007, with the independent audit report for the period then ended. The annual report is the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on the annual report based on our audits.

We conducted our audit in compliance with the procedures required by the Insurance Companies' Law numbered 5684 for preparing and announcing annual report, and in compliance with independent audit standards. Those procedures require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial information in the annual report referred to above presented fairly, in all material respects, the financial position of Milli Reasürans Türk A.Ş. as of 31 December 2007, in accordance with the Insurance Companies' Law numbered 5684. The financial information includes the summary of Board of Directors report and the opinion of independent auditor, and is compatible with the audited financial statements.

M.G.I. BAĞIMSIZ DENETİM VE DANIŞMANLIK A.Ş.

ERHAN ÖZDEMİR
Managing Partner

İstanbul, 21 February 2008

Management and Corporate Governance

Board of Directors and Statutory Auditors

Participation of the Members of the Board of Directors in Relevant Meetings During the Fiscal Period

The company's Board of Directors convenes as and when necessitated by the company's business affairs and upon the Chairman's invitation, with the participation of half of the total number of directors on the board plus one. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics which are not covered in the agenda but raised by the members are also discussed. Meeting agenda letters and files relating to the agenda items are sent to all board members 7 days in advance of the meeting date.

The Board of Directors met 8 times during the reporting period. Full participation of the members was achieved in 4 of these meetings, whereas 1 member each was excused from two of the meetings and 2 members from other 2 meetings. Statutory auditors attended all of the meetings.

Internal Systems Managers

Internal Audit Manager: Adil Horasan

Term of Office	Professional Experience	Departments Previously Served in	Academic Background
3 years	34 years	Internal Audit Department, Turkish Reinsurance Pool, Technical Accounting Department	Bachelor's degree from a domestic university

(1) Prof. Dr. Ahmet Kırman
Chairman of the Board of Directors
Prof. Dr. Kırman holds a degree in Law from Ankara University and a master's degree in EU Competition Law and a doctorate in Commercial Law from the same university. Pursuing his studies in Financial Law, Prof. Dr. Kırman became an Associate Professor in 1994 and full Professor in 2000. Having served as a Professor, Institute Director, Head of Major Discipline, and Department Head at the Faculty of Political Sciences of Ankara University, Prof. Dr. Kırman currently teaches at the Faculty of Law of Galatasaray University.

Additionally possessing the titles of attorney-at-law and certified financial advisor and having served at İşbank in various positions for over twenty five years, Prof. Dr. Kırman is currently the Chairman of the Boards of İşbank and Türkiye Şişe ve Cam Fabrikaları A.Ş. The author of a large number of published works in finance and financial law, he was elected on 09 March 1995 as a member of Milli Reasürans T.A.Ş. Board of Directors, of which he has been the Chairman since 20 August 1999.

(2) Tülin Aykın
Vice Chairman of the Board of Directors
Tülin Aykın holds a degree in Industrial Engineering from Boğaziçi University. She started her career as a Specialist in the Organizational Department at İşbank. Having worked in various branches and units in İşbank, she has been serving as Assistant General Manager in İşbank since 2006. Elected as a member of Milli Reasürans T.A.Ş. Board of Directors on 05 September 2006, Tülin Aykın has been serving as the Vice Chairman of the Board since the same date.

(3) Ayşe Taciser Bayer
Director
Ayşe Taciser Bayer holds a degree in Economics from İstanbul University. She began her career at İşbank and served in various capacities in that bank's branches and units. She currently holds the position of reporter in the Board of İşbank. Ayşe Taciser Bayer has been a member of the Board of Directors of Milli Reasürans T.A.Ş. since 28 March 2005.

(4) Feridun Bilgin
Director
Feridun Bilgin holds a degree in Electrical & Electronic Engineering from İstanbul Technical University. Having worked at the State Planning Organization, he currently serves as a Director-General at the Turkish Treasury. He has been elected as a member of the Board of Directors of Milli Reasürans T.A.Ş. on 31 August 2004 and on 28 March 2005.

(5) Bahtiyar Sönmez
Director
Bahtiyar Sönmez is a graduate of the Ankara Academy of Economic and Commercial Sciences. He began his career at İşbank, eventually becoming a member of the Board of İşbank, from which position he retired. He has been a member of the Board of Directors of Milli Reasürans T.A.Ş. since 02 May 2005.

(6) Cahit Nomer
Director and General Manager
Cahit Nomer holds a degree in Law from İstanbul University. He began his career at Milli Reasürans T.A.Ş., serving in various capacities at the company and also pursued professional studies in Switzerland and the UK. In 1994-1996 he served as a member of CEA (Comité Européen des Assurances) Presidential Council, and between 1981 and 2005 he served as Vice Chairman and then Chairman of the Association of the Insurance and Reinsurance Companies of Turkey for nearly a quarter of a century altogether. Appointed as the General Manager on 21 January 1981, Cahit Nomer is currently the Director and the General Manager of the company.

(7) Hüseyin Yağcı
Statutory Auditor
Hüseyin Yağcı holds a degree in Statistics from the Middle East Technical University and began his career at the Board of Inspectors of İşbank, where he later served in various positions. He is presently the Manager of İşbank Sefaköy branch. He has been a Statutory Auditor of Milli Reasürans T.A.Ş. since 28 March 2005.

(8) Emre Duranlı
Statutory Auditor
Emre Duranlı holds a degree in Management from Hacettepe University. He started his career as an Assistant Inspector in İşbank's Board of Inspectors. He has been appointed to the Participations Department as Assistant Manager on 29 September, 2004. Currently the Assistant Manager at İşbank's Participations Department, Emre Duranlı serves as member of the Board of Directors responsible for Internal Audit and Risk Management in Anadolu Sigorta, for Risk Management in Anadolu Hayat Emeklilik A.Ş., and as a Statutory Auditor in Avea İletişim Hizmetleri A.Ş. He has been functioning as a Statutory Auditor at Milli Reasürans T.A.Ş. since 19 March 2007.

(9) Semra Anıl
Reporter
Please see page 43 for Mrs. Anıl's CV.

Senior Management


Barbaros Yalçın Semra Anıl Cahit Nomer Füsun Ersöz Hasan Hulki Yalçın Hüseyin Yunak

Cahit Nomer
Director and General Manager
Please see page 41 for Mr. Nomer's CV.

Barbaros Yalçın
Assistant General Manager
Barbaros Yalçın holds a degree in Law from İstanbul University and began his career at Milli Reasürans T.A.Ş. in the Fire Department. He has pursued professional studies in Switzerland and the UK. He is currently Milli Reasürans T.A.Ş.'s Assistant General Manager responsible for technical affairs and also serves as the Vice President of the Turkish Earthquake Foundation and of the Turkish Insurance Institute Foundation and as the President of Fire Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey. He has been appointed as Assistant General Manager on 01 September 1988.

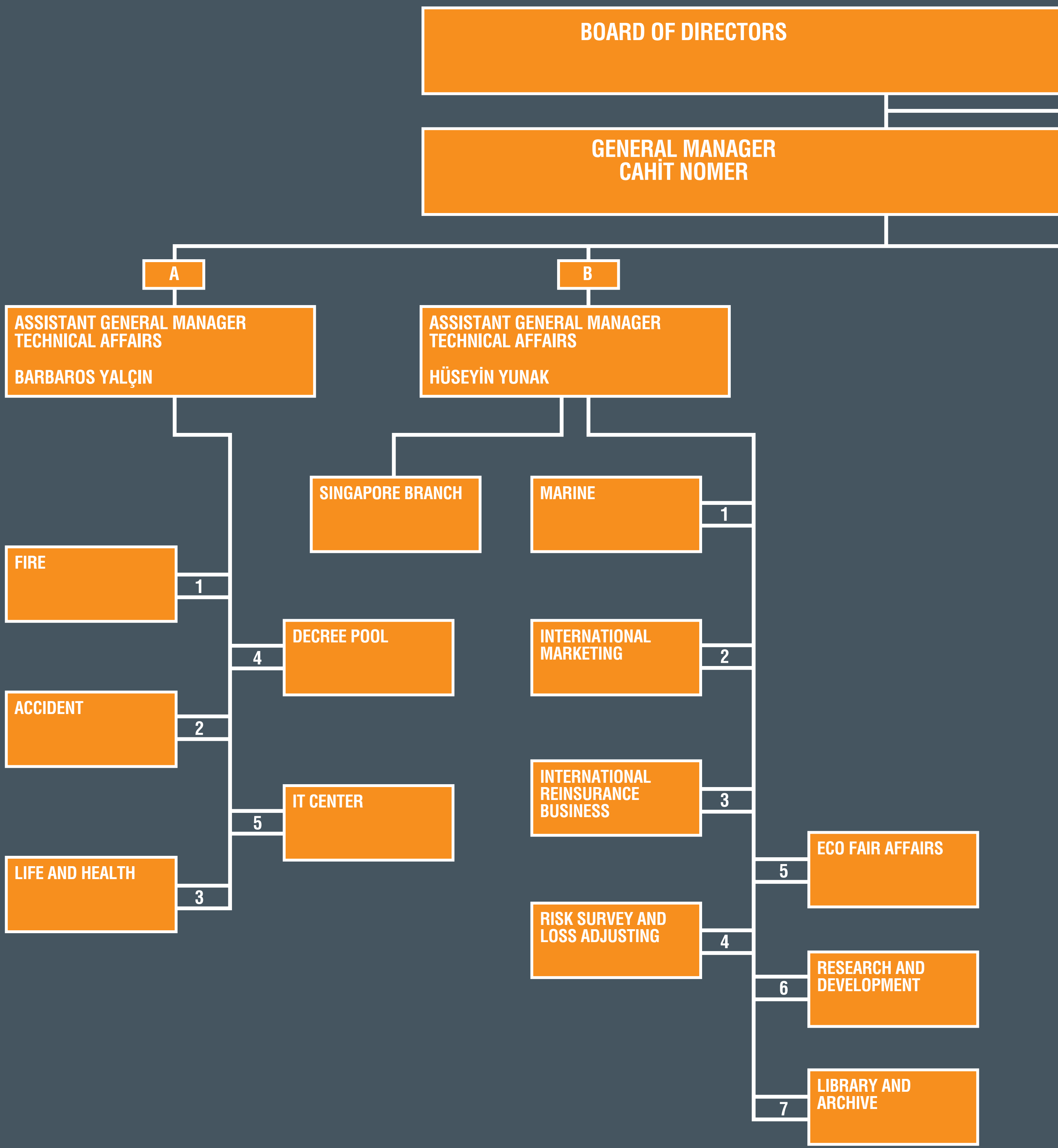
Semra Anıl
Assistant General Manager
Semra Anıl holds a degree in Law from İstanbul University. She began her career in the Accounting Department of Milli Reasürans T.A.Ş. and later served as a Company Attorney in the Legal Department. She became a Legal Adviser in 1993, a position that she still holds. She has been Assistant General Manager responsible for Administrative Affairs and Personnel since 06 January 1997, and presently also serves as Board of Directors' Reporter.

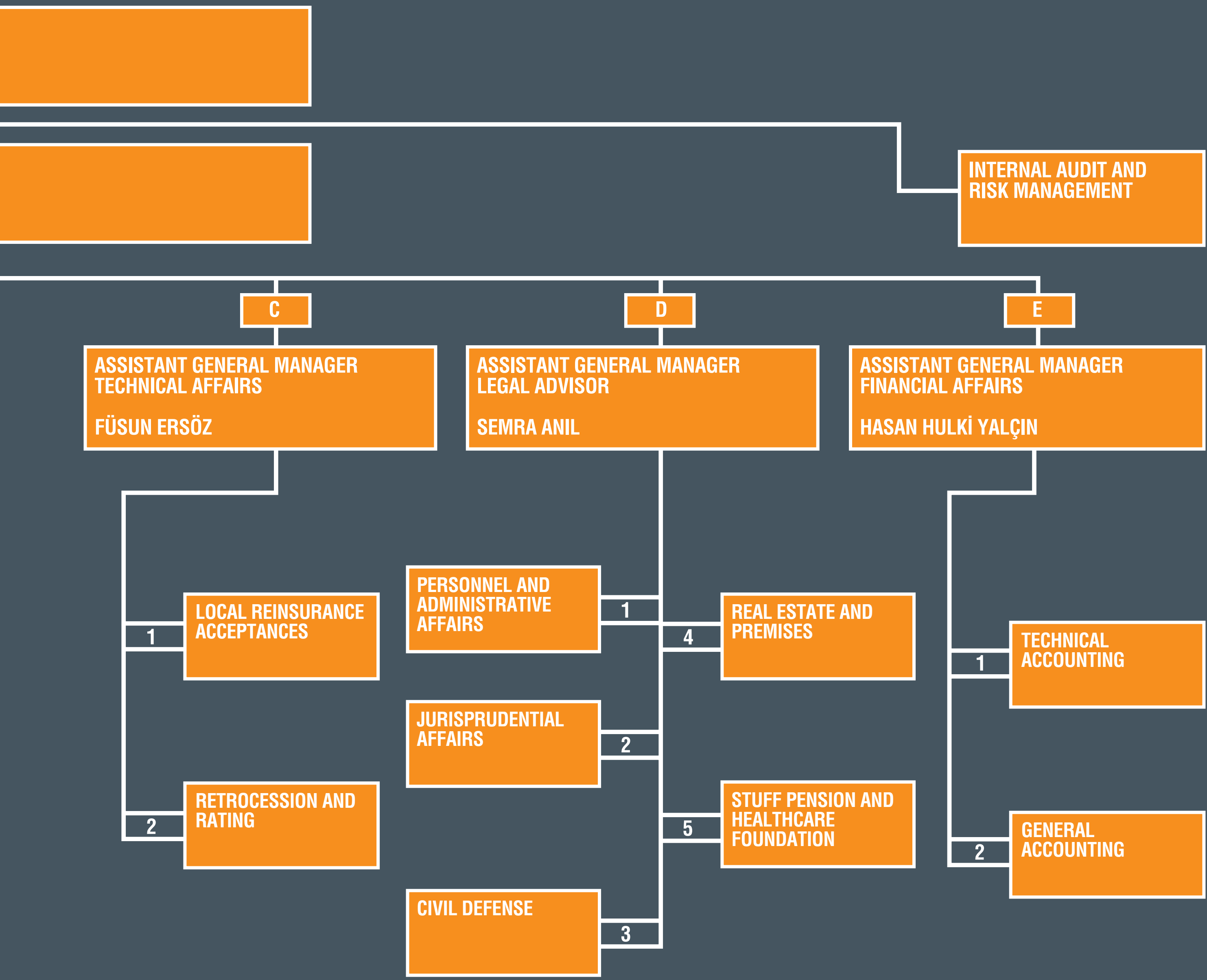
Hüseyin Yunak
Assistant General Manager
Hüseyin Yunak holds a degree in Business Administration from İstanbul University and began his career in insurance with Milli Reasürans T.A.Ş. in 1980. He studied Marine Insurance abroad and served as Manager of Marine Department and Coordinator of TCIP. He is currently Assistant General Manager responsible for International Reinsurance Acceptances. He is also the President of the Marine Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey, and a lecturer at the Turkish Insurance Institute. He has been appointed as Assistant General Manager on 01 March 2003.

Füsun Ersöz
Assistant General Manager
Füsun Ersöz holds a degree in English Philology from İstanbul University and she began her career at Milli Reasürans T.A.Ş. immediately after graduation. She has taken part in a number of professional training programs abroad. After serving as an officer responsible for acceptances by the FAIR Pool under Milli Reasürans T.A.Ş.'s management, she worked in the Treaty Department set up to handle Local Acceptances and Reinsurance. She has been serving as Assistant General Manager responsible for Local Acceptances and Reinsurance since 01 March 2005.

Hasan Hulki Yalçın
Assistant General Manager
Hasan Hulki Yalçın holds a degree in Economics from the Middle East Technical University and a Master's Degree in International Banking and Finance from the University of Birmingham in England. After serving in various positions and capacities with İşbank for fourteen years, he joined Milli Reasürans T.A.Ş. in 2003 and subsequently took part in a number of professional training programs abroad. He has been serving as Assistant General Manager responsible for Accounting and Financial Affairs since 01 January 2006.

Organization Chart




INTERNAL AUDIT AND RISK MANAGEMENT
C
D
E
ASSISTANT GENERAL MANAGER TECHNICAL AFFAIRS
FÜSUN ERSÖZ
ASSISTANT GENERAL MANAGER LEGAL ADVISOR
SEMRA ANIL
ASSISTANT GENERAL MANAGER FINANCIAL AFFAIRS
HASAN HULKİ YALÇIN
1
LOCAL REINSURANCE ACCEPTANCES
2
RETROCESSION AND RATING
PERSONNEL AND ADMINISTRATIVE AFFAIRS
1
JURISPRUDENTIAL AFFAIRS
2
CIVIL DEFENSE
3
4
REAL ESTATE AND PREMISES
5
STUFF PENSION AND HEALTHCARE FOUNDATION
1
TECHNICAL ACCOUNTING
2
GENERAL ACCOUNTING

Human Resources Applications

Recruitment requirements
The following qualifications are sought in candidates for employment at Milli Re:
a) Turkish citizenship
b) Having completed 18 years of age and being not over 40 years of age
c) Not to have been dismissed, or considered to have withdrawn, from a company
d) No disability or old age pension entitlements from any trust or institution providing social security or from a similar establishment
e) High school diploma for employees and primary school diploma for others
f) No prior conviction for embezzlement, defalcation, malversation, bribery, theft, fraud, forgery, breach of confidence, indirect bankruptcy, or other infamous acts, even if subsequently pardoned
g) No unfulfilled active military service obligation
h) No health conditions unfit for the function

Job application
Ever since its inception, Milli Re has always spent its efforts towards promotion from within. Job applications are made via our corporate website and other communication means.

In addition to collection of job applications, ads are placed in newspapers for recruitment of employees possessing the required qualifications.

Promotions
Promotions are made in line with the Personnel Regulation and the principles set forth in the Agreement, done with the Workers' Trade Union.

Transactions Carried Out with Milli Re's Risk Group

Milli Re carries out its relations with its risk group on an arm's length basis.

Relations with group companies are concentrated mostly in reinsurance activities, banking services and portfolio management.

Possible risks, their measurement and management are regularly monitored through reporting systems set up within the group.

Matters Related to Annual General Meeting

ANNUAL GENERAL MEETING AGENDA

1. Opening and roll call.

2. Election of the Presiding Board and authorizing the Presiding Board to sign the minutes of the General Meeting.

3. Reading and deliberation of the Board of Directors' report; the Statutory Auditors' report, and the report of the independent audit firm pertaining to the accounts and transactions in 2007.

4. Reading, deliberation and approval of the company's Balance Sheet and Income Statements for 2007; individual acquittal of the members of the Board of Directors and Statutory Auditors of their fiduciary responsibilities.

5. Determination of the manner and date of distribution of profit share.

6. Election for the succession of Board Directors whose terms of office have expired.

7. Election of Auditors.

8. Determination of the remuneration to be paid to the Board Directors and Statutory Auditors.

9. Wishes.

YEAR-END FINANCIAL REPORT DRAWN UP AS AT 31 DECEMBER 2007

We hereby announce that Milli Re 2007 Financial Report issued for its 79th year of operation has been drawn up in line with the principles and procedures enforced by the “Regulation on the Financial Structures of Insurance, Reinsurance and Private Pension Companies” published in the Official Gazette issue 26606 dated 07 August 2007 by the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

28 February 2008

Şule Soylu
Accounting Manager

Hasan Hulki Yalçın
Assistant General Manager

Cahit Nomer
General Manager

Prof. Dr. Ahmet Kırman
Chairman of the Board
of Directors

SUMMARY REPORT BY THE BOARD OF DIRECTORS

Distinguished Shareholders,

We respectfully present for your Esteemed Assembly's perusal and approval the balance sheet and profit and loss accounts showing the results achieved in 2007 marking the company's 79th year of operation, which are tabulated in line with the guidelines of the Turkish Treasury.

As known, the overall results of the company's balance sheet and profit and loss accounts are basically derived from three main sections, namely Technical Profit and Loss of Reinsurance Business, financial results arising from the investment of income on reinsurance business, and the amount of general expenses incurred for the execution of work.

The steps taken in the three sections described above and the conclusions reached are presented hereinbelow individually for each one.

The Company's Reinsurance Business

Because of the transformation of our activities in parallel with the change in the portfolio structure resulting from the expiration of the Decree no. 91/2276 regulating compulsory reinsurance cessions, this report analyzes the company's reinsurance business under the following headings in line with the prior year's report:

1. Voluntary Acceptances
2. New Capacity Business
3. Foreign Acceptances and
4. Decree Pool and Other Business.

Foreign Acceptances which was added to the last year's report for the first time, covers business started to be accepted especially since October 2005, in line with the principles set forth by the Board of Directors, from the insurance markets of certain Asian and African countries, which we have gained an insight into since 1974 during our management of the FAIR Pool. The key reason behind this initiative is the fact that the volume of business from the local market has sort of reached a saturation point.

Run-offs on compulsory business undertaken prior to 2002 lost its share significantly during the current year; as a result, they were addressed under the Other Business heading. Also handled under the Other Business heading is business of Destek Re. As known, Destek Re has been acquired and fully merged into our company as of 31 May 2005 for the purpose of achieving a stronger organization that is active in the reinsurance market, internally competitive and resilient to market conditions, and whose business was being followed-up on run-off basis on the said date.

1. Voluntary Acceptances

This section handles the business accepted from fire, marine, accident, engineering, health and life reinsurance treaties of insurance companies as well as facultative business taken on voluntary basis per risk. The premium amount, which was TRY 341 million in 2006, went up 3.9% in 2007 and reached TRY 354.4 million. This line of business posted a TRY 1.5 million loss in 2007 due to the impact of negative results yielded in motor and health branches.

Various measures were taken to mitigate the effects of the industry's poor performance in motor and health on Milli Re. In cases where it was not possible to take necessary action, the company withdrew from the related reinsurance contracts. Even if gradually, the impact of these measures is started to be seen. TRY 6.7 million loss that was posted last year decreased to TRY 1.5 million this year. The positive effects of the measures adopted will be seen in the years coming.

2. New Capacity Business

Our portfolio for the business in this section has arisen from new additional capacities provided to insurance companies in fire, marine, accident and engineering branches to compensate for the business from terminated compulsory cessions. The premium that amounted to TRY 342.5 million last year in this line of business materialized as TRY 370.9 million this year, signifying an 8.3% increment. Last year's loss figure of TRY 15.8 million backed down to TRY 4.1 million in 2007. Although the expected rate of increase was achieved in the premium income this year, profit/loss account yielded a negative result due to the industry's ongoing oblivious competition in prices particularly in motor and machinery breakdown insurance, as was the case last year.

3. Foreign Acceptances

This section covers business started to be accepted, from the insurance markets of certain Asian and African countries, in line with our Board of Directors decision, because of the volume of business from the local market has, in a way, reached a saturation point, and with the purpose of achieving geographical diversification in the risks undertaken.

Our Company's efforts continued last year to open a branch in Singapore and the related permission from local authorities was received on 22 November 2007. The results of the company's this new expansion will, however, be seen from 2008. Yet, the premium entered into the accounts on the business written in 2007 increased 108.7% compared with the prior year and reached TRY 33.4 million. This line of business yielded a profit of TRY 2.1 million.

4. Decree Pool and Other Business

Handled under this section are the Decree Pool portfolio, various reinsurance pools under our management, and business written in foreign markets, as well as the run-offs of compulsory business accepted prior to 2002 although terminated on 31 December 2001, and business from Destek Re followed-up on run-off basis, which was merged into our company as of 31 May 2005. From the business described above, FAIR and ECO Pool accounts are transferred into the company's accounts limited with our retention, as was the case in previous years, in accordance with the Turkish Treasury directive.

As known, implemented under the name "System for Increasing Local Retention Level and Reinsurance Capacity in Insurance" as per the Decree 91/2276 dated 15 September 1991, compulsory cessions were terminated on 31 December 2001. The arrangement relating to cessions from reinsurance treaties under the second part of the system and targeting to increase national retention level remained in effect for further 5 years pursuant to the "Decree on Local Reinsurance Pool System in Insurance Business" numbered 2001/3480 and dated 30 December 2001. Business covered in the second part of the system has been managed by our company on behalf of the market under the name Decree Pool from 1970 until 31 December 2006, on which date the effective period of the Decree expired.

Standing at TRY 148.1 million last year, Decree Pool premiums were reduced by 50% and decreased to TRY 73.7 million in 2007 due to discontinuation of cessions. As a result, net retained account in this line of business yielded a loss of TRY 16.3 million.

Premium income from Other Business in 2007 was TRY 5.8 million, and TRY 4.1 million profit was posted in our retained account relating to such business which is, for the most part, handled on run-off basis.

Technical Results

Consequently, the total premium production for the business followed-up under the headings Voluntary Acceptances, New Capacity Business, Foreign Acceptances, Decree Pool and Other Business in our company's records sustained a year-on decline by 1.8%, materializing as TRY 838.2 million in 2007, as opposed to the 2006 figure of TRY 853.4 million. When the retroceded premiums in the amount of TRY 76.2 million are taken into consideration, our retention in 2007 registered TRY 762 million in non-life and life branches. This figure corresponds to a retention rate of 90.9%, up 3.5 points as compared with the prior year.

In 2007, our technical accounts yielded a profit of TRY 5.9 million with the transfer of the profit in the amount of TRY 21.7 million from the financial income and expenses into technical accounts pursuant to the Turkish Treasury's "Communiqué on Insurance Chart of Accounts" published in the Official Gazettes of 30 December 2004 and 17 September 2005, and respectively numbered 25686 and 25939, and to the provisions of the communiqué amending the former.

Financial Results

The company's cash and bank holdings as at 31 December 2007 stand at TRY 311.9 million, excluding those that belong to ECO and FAIR Pools.

The value of securities followed-up in the securities portfolio is TRY 537.7 million in total as at end-2007, consisting of TRY 12.4 million in stocks, TRY 513 million in government bonds, TRY 11.1 million in FX-indexed government bonds and TRY 1.2 million in Type B investment funds and repurchase agreements. The total worth of long-term securities, affiliates and associates is TRY 143.2 million.

TRY 109.4 million income has been derived during the year from bank interests and the securities followed-up in the securities portfolio. Dividend income, currency translation gains, profit on sales and other revenues totaled TRY 17.8 million.

Net rental income was TRY 4.3 million, which is TRY 5.1 million rental income generated from the real properties owned less TRY 0.8 million recognized as various expenses.

Consequently, upon deduction of TRY 23.9 million expenses from the income amount of TRY 131.5 million in financial accounts, the financial account yielded a net income of TRY 107.6 million. A net income of TRY 85.6 million was posted in the financial account after setting off TRY 22 million as tax provision, which constitutes the corporate tax payable in 2008 on the company's 2007 revenues.

Despite the fact that TRY 6.6 million out of the merger premium that resulted from the company's merger with Destek Re in 2005 was written off in 2007, net income in the financial account increased 37% year-on as a result of the high interest rates throughout the reporting period.

General Expenses

TRY 18.9 million, which is the year-end balance of the company's general expenses account, covers personnel expenses and administration expenses, tax and other obligations, amortization costs, provisions and other expense items. This amount corresponds to 2.2% of the total premium production that materialized as TRY 838.2 million. Personnel and administration expenses alone corresponded to 1.2% of our total premium income.

Conclusion

Despite the positive results attained in fire, marine and life insurance, the company's technical accounts yielded TRY 15.8 million loss in 2007, due to the impact of negative results obtained by the market particularly in motor and health branches. However, the reporting period was completed with TRY 5.9 million in total profit with the addition of TRY 21.7 million positive difference out of the financial income and expenses to the technical accounts for life and non-life as per the Communiqué on Insurance Chart of Accounts dated 30 December 2004.

TRY 94.6 million is posted as year-end 2007 pre-tax profit, which is TRY 5.9 million profit in technical accounts plus TRY 107.6 million profit in financial accounts, adding up to TRY 113.5 million less general expenses in the amount of TRY 18.9 million.

After the tax provision in the amount of TRY 22 million is set aside, the remaining TRY 72.6 million represents the after-tax profit for 2007, which signifies a 50% rise year-on.

PROPOSAL FOR DISTRIBUTION OF 2007 PROFIT

Out of TRY 72,675,659.89	that constitutes the net profit reported in the 2007 balance sheet,
which is TRY 94,694,326.06	the 2007 pretax profit
less TRY 22,018,666.17	to be set aside as provision for taxes provided that if there is a balance after assessment of taxes, such balance will be added to optional reserves;
TRY 7,267,565.99	which is 10% of such net profit, be set aside for legal reserves as per section 27/a of the articles of association;
from the remaining amount of TRY 65,408,093.90,	
TRY 7,267,565.99	which is 10% of net profit, be distributed to shareholders as first dividends as per section 27/b of the articles of association,
and from the remaining amount of TRY 58,140,527.91,	
TRY 34,000,000.00	be set aside as natural disaster and catastrophe funds as per section 27/c of the articles of association;
and from the remaining amount of TRY 24,140,527.91,	as per section 27/d of the articles of association,
	TRY 844,918.48 be set aside for founders' shares and TRY 724,215.84for distribution to personnel, adding up to
TRY 1,569,134.32;	
and from the remaining amount of TRY 22,571,393.59,	
a total of TRY 21,732,434.01	be set aside for second dividends as per section 27/e of the articles of association, and
the entirety of the remaining amount of TRY 838,959.58	be transferred totally to optional reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit distribution will take place on 28 March 2008.

In concluding our results for our activities in 2007, we extend our thanks to our ceding companies, and to our managers and employees who contributed to the positive results achieved.

BOARD OF DIRECTORS

Financial Information and Assessment on Risk Management

Statutory Auditors' Report

TO:
MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
General Assembly of Shareholders

In the capacity of statutory auditors of the Assembly, we have reviewed the 2007 accounts and transactions of Milli Reasürans Türk Anonim Şirketi as per section 18 of the company's articles of association.

The reviews and audits performed reveal that the balance sheet and income statement drawn up and presented to the Assembly by the Board of Directors of Milli Reasürans Türk Anonim Şirketi conform to the company's records, that the transactions during the year have been carried out in accordance with the provisions of applicable legislation and the articles of association, and that positive results have been achieved.

The development in the company's business volume and results are satisfactory.

We hereby respectfully request the approval of the balance sheet and income statement for 2007, and of the proposal for distribution of profit.

Statutory Auditor
Hüseyin Yağcı

E. Duranl

Statutory Auditor
Emre Duranlı

Internal Audit Applications

Under the current business environment, economic pressures and high competition, it is crucially important that the company's activities are carried out efficiently and effectively. The Internal Audit Department's policy, which steps in at this point, is to provide independent and objective verification and guidance with the aim of developing the company's activities and adding value to them, rather than adopting an approach that focuses on strict audit and error-finding.

To ensure that its activities are conducted independently and objectively, the Internal Audit Department reports directly to the Board of Directors.

The purpose of internal audit is to ensure that the work and transactions of the company are carried out in accordance with the current laws, regulations, communiqués, resolutions, circulars, general terms, and other applicable legislation, as well as the company's internal guidelines, its management strategy and policy; and to detect and to prevent any irregularities, mistakes, or fraud through continuous monitoring.

On-site inspection of all assets, accounts and records, documents and personnel, and other elements that might affect the security of the company; examining whether the administrators and staff are successful in relation to their given targets; inquiring from the personnel explanation on the monitored, audited and controlled issues; as well as warning departments of the company when necessary are within the scope of internal audit.

All conclusions should be based on material proofs to the extent possible. In cases where material proofs cannot be obtained, the policy is to explain the reasons why that conclusion is drawn. It is important to be objective and reasonable.

In 2007, the Internal Audit Department has completed on-site inspection of all departments of the company by way of observation, interview and data analysis. All audit results have been stated in a report and all reports have been submitted to the Board of Directors following the receipt of the comments and justifications made by the concerned department and the related Assistant General Manager. Audit performed in 17 departments revealed no issues that might have an adverse impact on the company's financial structure.

The Internal Audit Department serves efficiently and effectively with the support and approval of the management and cooperation of the employees in fulfilling the purpose of developing the company's activities and adding value to them.

Risk Management Applications

Volatilities in financial markets both in Turkey and abroad in recent years as well as catastrophic disasters have made effective risk management an inevitable issue for the insurance industry worldwide. As insurance by definition is a risk-focused business, the implementation of the risk management systems and processes in insurance and reinsurance companies has become especially important for monitoring more systematically and closely the risks which the companies may be exposed to.

The purpose of the risk management system established in our company is;
• to effectively measure the risks arising from company's balance-sheet and off-balance-sheet activities and take relevant precautions,
• to safeguard Milli Re's reputation,
• to ensure timely fulfillment of liabilities towards insurance companies.

Risk management process consists of identifying, defining, measuring, controlling, monitoring and reporting risks, and also includes the phases of establishing risk management policies and application principles and putting them into practice.

Company's risk management policies, risks that the company is exposed to, risk limits, plans in case of limit violations and risk measurement methods are detailed in "Risk Management Guide" and "Application Principles In Respect of Risk Limits" that are approved by the Board of Directors and updated annually. "Company Risk Catalog", which aims to form a common terminology in the company and in which risks are classified and defined by examples, is updated every year in accordance with the activities of the company.

Risk Committee: The function of the committee is to evaluate the activities of the Risk Management Unit based on the "Risk Management Guide" and monitor the implementation of these guidelines throughout the company.

Risk Management Unit: The duties and responsibilities of the Risk Management Unit, which is a separate body, independent of the executive functions, are as follows:

• To define, measure, analyze, monitor and report risks,
• To announce risk management principles, procedures and policies to the company,
• To determine the capital amount which have to be allocated as per exposed risks,
• To develop risk management techniques and methods,
• To carry out reporting and monitoring activities in respect of risk management.

Basic Risks and Measuring Methods

Reputation Risk: Qualitative methods are used to measure the level of this risk, which expresses the probable loss arising from losing confidence or reputation as a result of unsuccessful activities or noncompliance with the current legal regulations. On the basis of "Self Assessment Methodology", "Questionnaire" and/or "Interview" methods are employed to determine the impact and probability level of the risk as "High", "Reasonable" or "Low". The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Business Environment Risk: Qualitative methods are used to measure the level of this risk, which expresses the negative influence on the company's functioning capacity, arising from external factors in the company's operation areas. On the basis of "Self Assessment Methodology", "Questionnaire" and/or "Interview" methods are employed to determine the impact and probability level of the risk as "High", "Reasonable" or "Low". The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Strategy Risk: This risk expresses losses resulting from a variety of reasons including inefficient management and organizational structure of the company, failure to effectively formulate strategies, failure to communicate and/or implement the strategies across the organization, faulty business decisions, failure to duly enforce the decisions made, or failure to timely adapt itself with the developments in the industry. In the measurement and evaluation of Strategy Risk, "Questionnaire" and/or "Interview" methods are employed on the basis of "Self Assessment Methodology", to determine the impact and probability level of the risk as "High", "Reasonable" or "Low". The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Market Risk: This risk expresses the probability of loss because of the interest rate risk, currency risk and stock position risk occurring in the financial position of the company due to the interest, currency and price changes arising from the volatilities in financial markets. The said risk is measured by using a method named Value at Risk. This method measures the maximum loss, which the company's portfolio may be exposed to as a result of negative changes arising from the volatilities in interest rates, currencies and equity prices, in a given time period and using a given confidence level.

While calculating Value at Risk, Historical Simulation Method, which creates different scenarios using the past data, is applied and a confidence level of 99% and one day holding period are taken as basis. In addition to the daily calculated Value at Risk, the tests which are mentioned here below are applied monthly:

- Back Testing
- Stress Tests
- Scenario Analysis

These tests, which are the supporting factors of Value at Risk method in calculating the loss caused by unexpected and extraordinary situations, aim to test the accuracy of the measurement results and to monitor the sensitivity of the company portfolio to the changes in basic risk factors.

The report, which includes the measurement and test results in respect of Value at Risk, is submitted to the Board of Directors. The company's limit of value at Market Risk is set as 1% of the portfolio value and action plan to remedy any violation of this limit is defined by the Risk Committee and relevant developments are reported to the Board of Directors.

Liquidity Risk: This risk, which is considered within the context of market risk, expresses the probability of insolvency of the company. The liquidity deficit of the company is monitored by way of maturity analysis of the assets and liabilities in the balance sheet. Liquidity ratios and their performance compared with the prior year are also monitored periodically. The report in respect of the results is submitted to the Board of Directors.

Credit Risk: This risk expresses the probability of loss arising from the full or partial default of the counterparties which have a business relationship with our company. To measure the credit risk, financial positions of counterparty companies, their payment performances, and the ratings of such companies assigned by the international rating agencies with respect to retrocessioners are considered. In respect of the said risk, the structure of the reinsurance protection programs purchased, limits, changes in the capacities, concentration of reinsurers in the programs, their ratings which indicate the financial strength, and overdue receivables are examined by the Risk Management Unit and the report in respect of the results is submitted to the Board of Directors.

Operational Risk: This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, business interruption, process changes, incorrect internal/external reporting or external factors occurring while the company executes its vital functions necessary for business continuity. Qualitative and quantitative methods are used together in measuring the operational risks. On the basis of “Self-Assessment Methodology”, which ensures determination of the risks in respect of executed activities via the participation of the staff responsible for the relevant activity, “Questionnaire” and “Interview” methods are used and then impact-probability analysis is implemented. The report in respect of the results is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Reinsurance Risk: This risk, which arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities, cannot be expressed as a numerical value. However, in order to keep it under control, important points to be considered when determining underwriting limits, retentions and retrocession cover are stated in the “Application Principles In Respect of Risk Limits”. The report, which includes the company’s underwriting portfolio, the amount of reinsurance protection purchased, estimated premium income, overdue receivables, concentration risk and considerations regarding the risk of excessive increase of the premium, is submitted to the Board of Directors.

Calculating the Capital Adequacy

The capital adequacy of the company is measured in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance and Private Pension Companies and the results are reported to the Board of Directors. The method, which is used in accordance with this regulation, enables calculation of the required capital by taking all the risks of the company into consideration separately.

Financial Strength Figures

Financial Ratios

(%)	2003	2004	2005	2006	2007
Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	402	314	155	159	119
Shareholders' Equity/Total Assets	26	30	47	47	58
Shareholders' Equity/Net Technical Provisions	40	47	95	96	149
Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	69	76	58	68	69
Liquidity Ratio	121	137	136	158	166
Current Ratio	150	158	151	174	184
Receivables from Technical Operations/Total Assets	17	12	7	7	6
Operational Ratios					
Retention Ratio	86	85	88	87	91
Paid Claims/Paid Claims+Outstanding Claims	69	69	70	67	70
Profitability Ratios					
Loss Ratio (Gross)	68	70	68	74	75
Loss Ratio (Net)	73	74	73	77	78
Expense Ratio	26	23	22	23	23
Combined Ratio	94	93	90	97	98
Profit Before Tax/Gross Premiums	3	4	8	8	11
Gross Financial Profit/Gross Premiums	10	6	4	7	11
Technical Profit/Gross Premiums	(7)	(2)	4	1	1

Capital Adequacy (TRY mn)	2005	2006	2007
Required Capital	177.6	189.0	177.4
Shareholders' Equity	562.2	637.2	643.5
Surplus	384.6	448.2	466.1

Regulation for the implementation of Capital Adequacy has been changed as at the end of 2007.

Evaluation of the Financial Strength, Profitability and Solvency Margin

Financial analysis ratios as reference to the evaluation regarding the financial strength of the company have had a favorable development in conformity with the evaluation criteria of the Regulation.

The shareholders' equity of the company is sufficient to fulfill its ongoing obligations and the calculation pursuant to the regulation changed as at the end of 2007 has confirmed that the company's capital adequacy has yielded a positive result of TRY 466.1 million.

Key Financial Figures

(YTL)	2003	2004	2005	2006	2007
Assets					
Cash and Cash Equivalents	66,593,653.24	120,370,423.31	267,895,204.47	366,211,357.10	311,941,657.75
Securities	249,063,576.74	346,881,094.01	314,034,502.11	406,379,771.46	537,759,472.39
Affiliates and Subsidiaries	42,200.00	38,000.00	138,420,403.32	129,358,928.61	143,230,060.84
Fixed Assets	56,532,514.15	61,931,913.95	120,899,723.80	85,441,669.48	83,060,996.66
Doubtful Receivables (Net)	0.00	0.00	0.00	0.00	0.00
Total Assets	454,426,544.43	616,430,829.57	995,743,137.60	1,132,446,702.13	1,222,852,210.59
Liabilities					
Technical Provisions	299,307,295.94	386,685,062.20	488,780,518.08	556,400,818.43	473,009,196.44
Shareholders' Equity*	118,778,892.62	183,200,061.17	465,702,249.22	536,666,853.19	706,923,351.68
Income and Expenses Items					
Technical Income	705,568,273.26	903,753,011.62	1,204,177,461.25	1,409,813,980.59	1,443,738,234.31
Technical Expenses	737,605,754.81	917,597,388.77	1,177,867,202.10	1,405,097,993.67	1,437,779,295.32
Technical Profit/Loss	(32,037,481.55)	(13,844,377.14)	26,310,259.15	4,715,986.92	5,958,938.99
Financial Income	81,918,737.24	95,549,545.42	82,665,716.46	96,418,078.71	131,590,904.48
Financial Expenses	30,293,314.98	24,284,028.87	36,013,569.38	33,770,321.52	45,994,434.75
General Expenses	16,682,716.82	45,846,359.04	36,041,280.99	18,950,609.02	18,879,748.83
Financial Profit/Loss	34,942,705.44	25,419,157.51	10,610,866.09	43,697,148.17	66,716,720.90
Profit/Loss for the Period	2,905,223.89	11,574,780.37	36,921,125.24	48,413,135.09	72,675,659.89

*Including Profit for the Period

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD 01.01.2007 – 31.12.2007

To the Board of Directors,
Milli Reasürans Türk Anonim Şirketi

We have audited the accompanying financial statements of Milli Reasürans Türk A.Ş. as of 31 December 2007. These financial statements are the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing and accounting standards defined in the Insurance Supervision Law Number 5684. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milli Reasürans Türk Anonim Şirketi as of 31 December 2007 and the results of its operations for the year then ended, in conformity with the accounting principles and standards defined in the Insurance Supervision Law Number 5684.

M.G.I. BAĞIMSIZ DENETİM VE DANIŞMANLIK A.Ş.

ERHAN ÖZDEMİR, CPA
Managing Partner
İstanbul, 18 February 2008

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Income Statement 01.01.2007- 31.12.2007 (TRY)

I- TECHNICAL ACCOUNT	Note	Current Period	Previous Period
A- Non-Life Technical Income		774,352,392.93	744,626,428.19
1- Earned Premiums (Net of Reinsurance)		737,748,936.20	711,768,613.55
1.1- Written Premiums (Net of Reinsurance)		745,512,312.60	731,163,168.06
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		-7,763,376.40	-19,394,554.51
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)			
2- Investment Income Transferred from Non-Technical Account	1	31,772,406.87	22,200,068.67
3- Other Technical Income (Net of Reinsurance)	2	4,831,049.86	10,657,745.97
B- Non-Life Technical Expenses (-)		-771,904,634.01	-742,065,613.96
1- Losses Incurred (Net of Reinsurance)		-587,040,553.54	-554,861,755.42
1.1- Losses Paid (Net of Reinsurance)		-578,043,538.38	-511,378,469.90
1.2- Change in Provision for Outstanding Losses (Net of Reinsurance) (+/-)		-8,997,015.16	-43,483,285.52
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)			
3- Change in Other Technical Provisions (Net of Reinsurance) (+/-)			-5,320,212.19
4- Operating Expenses (-)	3	-184,864,080.47	-181,883,646.35
C- Balance on Non-Life Technical Account (A - B)		2,447,758.92	2,560,814.23
D- Life Technical Income		16,908,402.60	15,545,558.84
1- Earned Premiums (Net of Reinsurance)		16,041,020.67	14,848,855.09
1.1- Written Premiums (Net of Reinsurance)		16,501,029.42	14,952,709.21
1.2- Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		-460,008.75	-103,854.12
1.3- Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)			
2- Investment Income		866,360.33	696,403.67
3- Unrealized Profits on Investments			
4- Other Technical Income (Net of Reinsurance)	4	1,021.60	300.08
E- Life Technical Expenses		-13,397,222.53	-13,390,386.15
1- Claims Incurred (Net of Reinsurance)		-4,677,912.08	-5,117,839.11
1.1- Claims Paid (Net of Reinsurance)		-4,882,828.71	-4,816,403.65
1.2- Change in Provision for Outstanding Indemnities (Net of Reinsurance) (+/-)		204,916.63	-301,435.46
2- Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)			
3- Change in Mathematical Reserves (Net of Reinsurance) (+/-)		-213,170.89	-165,476.32
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 (-)	5	-8,506,139.56	-8,107,070.72
7- Investment Expenses (-)			
8- Unrealized Losses on Investments			
9- Investment Income Transferred to Non-Technical Account			
F- Balance on Life Technical Account (D – E)		3,511,180.07	2,155,172.69
G- Pension System Technical Income		0.00	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	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	0.00

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Income Statement 01.01.2007- 31.12.2007 (TRY)

II- NON - TECHNICAL ACCOUNT	Note	Current Period	Previous Period
C- Balance on Non-Life Technical Account		2,447,758.92	2,560,814.23
F- Balance on Life Technical Account		3,511,180.07	2,155,172.69
I - Balance on Pension System Technical Account		0.00	0.00
J- Balance on Technical Account (C+F+I)		5,958,938.99	4,715,986.92
K- Investment Income		164,019,566.07	119,785,082.42
1- Income from Financial Investments	6	135,639,430.01	60,165,145.05
2- Profits from Realization of Financial Investments		8,814,672.84	20,836,387.93
3- Valuation of Financial Investments		-229,985.88	973,408.09
4- Currency Translation Gains		5,051,610.15	23,072,446.05
5- Income from Affiliates		9,508,722.99	5,678,611.63
6- Income from Subsidiaries and Joint-Ventures			
7- Income from Land and Buildings		5,157,538.43	8,784,737.37
8- Income from Derivatives		77,577.53	274,346.30
9- Other Investments			
10- Investment Income Transferred from Life Technical Account			
L- Investment Expenses (-)		-69,809,433.93	-51,591,361.11
1- Investment Management Expenses-Interest Included (-)	7	-17,345,277.00	-17,634,734.88
2- Investments Depreciation (-)			
3- Losses from Realization of Financial Investments (-)		-2,268,078.92	-2,695,361.93
4- Investment Income Transferred to Non-Life Technical Account (-)	8	-31,772,406.87	-22,200,068.67
5- Losses from Derivatives (-)			
6- Currency Translation Losses (-)		-16,279,269.34	-6,798,863.07
7- Amortization Expenses (-)		-2,144,401.80	-2,262,332.56
8- Other Investment Expenses (-)			
M- Income and Expenses from Other and Extraordinary Operations (+/-)		-5,474,745.07	-7,834,063.10
1- Provisions (+/-)	9	1,032,021.12	-631,705.29
2- Rediscounts (+/-)			
3- Compulsory Earthquake Insurance (+/-)			
4- Inflation Adjustment (+/-)			
5- Deferred Tax Asset (+/-)			
6- Deferred Tax Obligations Expenses (-)			
7- Other Income and Profits	10	144,452.38	71,363.96
8- Other Expenses and Losses (-)	11	-6,651,218.57	-7,273,721.77
9- Prior Year's Income and Profits			
10- Prior Year's Expenses and Losses (-)			
N- Net Profit/Loss for the Period		72,675,659.89	48,413,135.09
1- Profit/Loss for the Period		94,694,326.06	65,075,645.13
2- Taxes and Legal Obligations Payable (-)		-22,018,666.17	-16,662,510.04
3- Net Profit/Loss for the Period		72,675,659.89	48,413,135.09
4- Inflation Adjustment			

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Income Statement

1. TRY 31,772,406.87 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	1,546,660.55
Treasury Bills	2,112,940.60
Government Bonds	10,719,170.51
Bank Deposits	12,718,424.07
Other Financial Assets	30,691.38
Mutual Funds	6,806.18
Repurchase Agreements	1,756,128.53
Stock Valuation	-45,997.15
Currency Translation Gains	1,010,322.03
Profit Shares	1,901,744.67
Option Premium	15,515.50
TOTAL	31,772,406.87

2. TRY 4,831,049.86 under other technical income includes interest accruing from reserves with insurance and reinsurance companies (TRY 1,759,278.06), management commission and expenses collected regarding pools accounts managed by ourselves (TRY 2,920,353.81) and other income items (TRY 151,417.99).

3. The amount of TRY 184,864,080.47 followed under operating expenses account is the sum of net commissions (TRY 164,578,583.60), the transfer of 50% of the financial expenses items to the related technical accounts (TRY 10,431,289.23) 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, currency translation differences (TRY 6,955,713.14) and other expenses (TRY 2,898,494.50).

4. TRY 1,021.60 under other technical income includes income from the interest accruing from reserves with insurance and reinsurance companies.

5. Operating expenses of TRY 8,506,139.56 are shown in the table below:

OPERATING EXPENSES	TRY
Acquisition Expenses	8,187,380.10
Personnel Expenses	488,890.99
Administrative Expenses	240.64
Reinsurance Commissions	-210,999.17
Other Operating Expenses	40,627.00
TOTAL	8,506,139.56

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Income Statement

6. Income from financial investments is as follows:

INCOME FROM FINANCIAL INVESTMENTS	TRY
Income from Sales of Stocks	7,733,302.40
Interest Income from Treasury Bills	10,564,703.02
Interest Income from Government Bonds	51,744,483.07
Interest Income from Eurobonds	1,851,363.84
Interest Income from Bank Deposits	63,592,120.72
Interest Income Due From Personnel	3,122.38
Other Interest Income	1,064.48
Lending Commission Income	149,270.10
TOTAL	135,639,430.01

Stocks are valued at the best price determined in Istanbul Securities Exchange Market 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.

7. Investment management expenses are as follows:

INVESTMENT MANAGEMENT EXPENSES	TRY
Personnel Expenses	8,612,158.17
Administrative Expenses	2,619,837.97
Outsourcing Expenses	4,849.28
Other Operating Expenses	6,064,531.04
Other Investment Management Expenses	43,900.54
TOTAL	17,345,277

TRY 6,064,531.04 followed under other operating expenses account consists of insurance transactions tax with a value of TRY 4,044,399.71 and other liabilities being TRY 2,020,131.33.

8. TRY 31,772,406.87 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.

9. Despite the provision for employment termination benefits being TRY 190,777.13, by reason of the diminution of the provision for doubtful receivables by TRY 1,215,098.25 as a result of the exchange depreciation in 2007 and the credit amount of TRY 7,700 for which a provision was set aside previously being collected, the provisions account appeared as TRY 1,032,021.12.

10. Other income and profits with a value of TRY 144,452.38 consist of incidental income items.

11. Other expenses and losses with a value of TRY 6,651,218.57 encompass the part of the acquisition premium written off in 2006 being TRY 6,626,476.70, relating to the acquisition of Destek Reasürans T.A.Ş. by Milli Reasürans T.A.Ş. in 2005 and the items which are non-assessable or disallowed amounting to TRY 24,741.87.

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Balance Sheet 31.12.2007 (TRY)

ASSETS		Note	31.12.2007	31.12.2006
I-	Current Assets			
A-	Cash and Cash Equivalents		311,941,657.75	366,211,357.10
1-	Cash		7,881.84	16,271.94
2-	Cheques Received		48,197.00	70,002.00
3-	Banks	1	311,885,578.91	366,125,083.16
4-	Cheques Given and Payment Orders (-)			
5-	Other Cash and Cash Equivalents			
B-	Financial Assets and Financial Investments at Insureds' Risk		537,759,472.39	406,379,771.46
1-	Financial Assets Available-for-sale			
2-	Financial Assets Held to Maturity			
3-	Trading Financial Assets	2	537,759,472.39	406,379,771.46
4-	Loans			
5-	Provision for Loans (-)			
6-	Financial Investments at Life Insurance Policyholders' Risk			
7-	Company's Share			
8-	Provision for Diminution in Value of Financial Assets (-)			
C-	Receivables from Technical Operations		76,467,411.63	79,563,126.93
1-	Due from Insurance Operations			
2-	Provision for Due from Insurance Operations (-)			
3-	Due from Reinsurance Operations	3	48,604,427.06	38,779,648.62
4-	Provision for Due from Reinsurance Operations (-)			
5-	Reserves with Insurance&Reinsurance Companies	4	27,862,984.57	40,783,478.31
6-	Loans and Mortgages to Insureds			
7-	Provision for Loans and Mortgages to Insureds (-)			
8-	Due from Pension Operations			
9-	Doubtful Receivables from Operations			
10-	Provision for Doubtful Receivables from Operations (-)			
D-	Receivables from Related Parties		11,020,864.80	29,240.71
1-	Due from Shareholders			
2-	Due from Affiliates			
3-	Due from Subsidiaries			
4-	Due from Joint-Ventures			
5-	Due from Personnel			14,896.00
6-	Due from Other Related Parties	5	11,020,864.80	14,344.71
7-	Rediscount on Due from Related Parties (-)			
8-	Doubtful Receivables from Related Parties			
9-	Provision for Doubtful Receivables from Related Parties (-)			
E-	Other Receivables		3,342.72	2,755.52
1-	Leasing Receivables			
2-	Unearned Leasing Interest Income (-)			
3-	Deposits and Guarantees Given		2,483.72	2,755.52
4-	Other Receivables		859.00	
5-	Rediscount on Other Receivables (-)			
6-	Other Doubtful Receivables			
7-	Provision for Other Doubtful Receivables (-)			
F-	Prepaid Expenses for Future Months and Income Accruals		3,765,827.37	2,654,805.79
1-	Prepaid Expenses for Future Months			
2-	Accrued Interest and Rental Income			
3-	Income Accruals	6	3,765,827.37	2,654,805.79
4-	Other Prepaid Expenses for Future Months and Other Income Accruals			
G-	Other Current Assets		2,474,414.30	3,161,925.88
1-	Inventories			
2-	Prepaid Taxes and Funds	7	1,559,246.23	2,304,783.79
3-	Deferred Tax Assets			
4-	Work Advances		90,799.52	21,912.42
5-	Advances to Personnel			192,940.00
6-	Inventory Shortages			
7-	Other Current Assets	8	824,368.55	642,289.67
8-	Provision for Other Current Assets (-)			
I-	Total Current Assets		943,432,990.96	858,002,983.39

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Balance Sheet 31.12.2007 (TRY)

ASSETS	Note	31.12.2007	31.12.2006
II- Non-Current Assets			
A- Receivables from Technical Operations		0.00	0.00
1- Due from Insurance Operations			
2- Provision for Due from Insurance Operations (-)			
3- Due from Reinsurance Operations			
4- Provision for Due from Reinsurance Operations (-)			
5- Reserves with Insurance&Reinsurance Companies			
6- Loans and Mortgages to Insureds			
7- Provision for Loans and Mortgages to Insureds (-)			
8- Due from Pension Operations			
9- Doubtful Receivables from Operations	9	7,685,547.69	8,900,645.94
10- Provision for Doubtful Receivables from Operations (-)		-7,685,547.69	-8,900,645.94
B- Receivables from Related Parties		0.00	0.00
1- Due from Shareholders			
2- Due from Affiliates			
3- Due from Subsidiaries			
4- Due from Joint-Ventures			
5- Due from Personnel			
6- Due from Other Related Parties			
7- Rediscount on Due from Related Parties (-)			
8- Doubtful Receivables from Related Parties			
9- Provision for Doubtful Receivables from Related Parties (-)			
C- Other Receivables		0.00	0.00
1- Leasing Receivables			
2- Unearned Leasing Interest Income (-)			
3- Deposits and Guarantees Given			
4- Other Receivables			
5- Rediscount on Other Receivables (-)			
6- Other Doubtful Receivables			11,136.31
7- Provision for Other Doubtful Receivables (-)			-11,136.31
D- Financial Assets	10	143,230,060.84	129,358,928.61
1- Long Term Securities		20,838,794.02	22,044,754.33
2- Affiliates		121,645,060.15	106,567,967.61
3- Capital Commitments for Affiliates (-)			
4- Subsidiaries		746,206.67	746,206.67
5- Capital Commitments for Subsidiaries (-)			
6- Joint-Ventures			
7- Capital Commitments for Joint-Ventures (-)			
8- Financial Assets and Financial Investments at Insureds' Risk			
9- Other Financial Assets			
10- Provision for Diminution in Value of Financial Assets (-)			
E- Tangible Assets	11	83,004,761.05	85,401,864.06
1- Real Estate Investments		61,007,997.68	61,500,495.61
2- Provision for Diminution in Value of Real Estate Investments (-)			
3- Company Occupied Real Estate		31,392,944.97	31,392,944.97
4- Machinery and Equipment			
5- Fixtures and Furniture		1,270,167.72	1,123,243.50
6- Motor Vehicles		425,474.05	425,474.05
7- Other Tangible Assets (Including Special Costs)			
8- Leased Assets			
9- Accumulated Amortization (-)		-11,091,823.37	-9,040,294.07
10- Advances Given for Tangible Assets (Including Construction in Progress)			
F- Intangible Assets		53,068,049.17	59,678,095.68
1- Rights		69,679.34	46,658.53
2- Goodwill			
3- Start-up Costs			
4- Research and Development Expenses			
5- Other Intangible Assets	12	53,011,813.56	59,638,290.26
6- Accumulated Amortization (-)		-13,443.73	-6,853.11
7- Advances Given for Intangible Assets			
G- Prepaid Expenses for Future Years and Income Accruals		116,348.57	4,830.39
1- Prepaid Expenses for Future Years		116,348.57	
2- Income Accruals			
3- Other Prepaid Expenses for Future Years and Other Income Accruals			4,830.39
H- Other Non-Current Assets		0.00	0.00
1- Effective Foreign Currency Accounts			
2- Foreign Currency Accounts			
3- Inventories for Future Years			
4- Prepaid Taxes and Funds			
5- Deferred Tax Assets			
6- Other Non-Current Assets			
7- Other Non-Current Assets Amortization (-)			
8- Provision for Diminution in Value of Other Non-Current Assets (-)			
II- Total Non-Current Assets		279,419,219.63	274,443,718.74

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Balance Sheet 31.12.2007 (TRY)

LIABILITIES	Note	31.12.2007	31.12.2006
III- Short-Term Liabilities			
A- Financial Liabilities		0,00	0,00
1- Due to Credit Institutions			
2- Leasing Payables			
3- Deferred Leasing Costs (-)			
4- Current Maturities of Long-Term Credits and Accrued Interest			
5- Current Maturities of Issued Bonds and Accrued Interest			
6- Other Issued Financial Assets			
7- Value Difference of Other Issued Financial Assets (-)			
8- Other Financial Payables (Liabilities)			
B- Payables from Operations		28,941,014.17	25,594,584.62
1- Payables from Insurance Operations			
2- Payables from Reinsurance Operations	13	27,524,781.67	24,443,484.64
3- Reserves of Insurance&Reinsurance Companies	14	1,416,232.50	1,151,099.98
4- Payables from Pension Operations			
5- Payables from Other Operations			
6- Rediscounts on Other Notes Payable (-)			
C- Due to Related Parties		263,662.13	138,353.46
1- Due to Shareholders	15	207,679.21	5,415.76
2- Due to Affiliates			
3- Due to Subsidiaries			
4- Due to Joint-Ventures			
5- Due to Personnel			
6- Due to Other Related Parties	16	55,982.92	132,937.70
D- Other Payables		77,509.73	0.00
1- Deposits and Guarantees Received			
2- Other Payables		77,509.73	
3- Rediscount on Other Payables (-)			
E- Insurance Technical Provisions	17	473,009,196.44	455,780,541.87
1- Provision for Unearned Premiums-Net		247,511,432.36	239,288,047.21
2- Provision for Unexpired Risks-Net			
3- Mathematical Reserves (Life)-Net		1,138,141.78	924,970.89
4- Provision for Outstanding Losses and Indemnities-Net		224,359,622.30	215,567,523.77
5- Provision for Bonus and Reduction-Net			
6- Provision for Investment Risk at Life Insurance Policyholders-Net			
7- Other Technical Provisions-Net			
F- Taxes Payable and Other Fiscal Liabilities and Provisions		9,226,953.97	9,428,824.15
1- Taxes and Funds Payable		389,178.65	962,112.90
2- Social Security Withholdings Payable		65,716.14	56,445.33
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities			
4- Other Taxes and Fiscal Liabilities			
5- Provision for Corporate Tax and Other Legal Liabilities		22,018,666.17	16,662,510.04
6- Prepaid Corporate Tax and Other Fiscal Liabilities on Profit (-)		-13,246,606.99	-8,252,244.12
7- Provisions for Other Taxes and Fiscal Liabilities			
G- Provisions for Other Risks		0.00	0.00
1- Provision for Employment Termination Benefits			
2- Provision for Social Benefit Fund Deficits			
3- Provision for Costs			
H- Income Related to Future Months and Expense Accruals		0.00	0.00
1- Income Related to Future Months			
2- Expense Accruals			
3- Other Income Related to Future Months and Expense Accruals			
I- Other Short-Term Liabilities		0.00	0.00
1- Deferred Tax Liabilities			
2- Inventory Overages			
3- Other Short-Term Liabilities			
III - Total Short-Term Liabilities		511,518,336.44	490,942,304.10

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Balance Sheet 31.12.2007 (TRY)

LIABILITIES	Note	31,12,2007	31,12,2006
IV- Long-Term Liabilities			
A- Financial Liabilities		0.00	0.00
1- Due to Credit Institutions			
2- Leasing Payables			
3- Deferred Leasing Costs (-)			
4- Bonds Issued			
5- Other Issued Financial Assets			
6- Value Difference of Other Issued Financial Assets (-)			
7- Other Financial Payables (Liabilities)			
B- Payables from Operations		0.00	0.00
1- Payables from Insurance Operations			
2- Payables from Reinsurance Operations			
3- Reserves of Insurance&Reinsurance Companies			
4- Payables from Pension Operations			
5- Payables from Other Operations			
6- Rediscount on Other Notes Payable (-)			
C- Due to Related Parties		0.00	0.00
1- Due to Shareholders			
2- Due to Affiliates			
3- Due to Subsidiaries			
4- Due to Joint-Ventures			
5- Due to Personnel			
6- Due to Other Related Parties			
D- Other Payables		0.00	0.00
1- Deposits and Guarantees Received			
2- Other Payables			
3- Rediscount on Other Payables (-)			
E- Insurance Technical Provisions		0.00	100,620,276.56
1- Provision for Unearned Premiums-Net			
2- Provision for Unexpired Risks-Net			
3- Mathematical Reserves (Life)-Net			
4- Provision for Outstanding Losses and Indemnities-Net			
5- Provision for Bonus and Reduction-Net			
6- Provision for Investment Risk at Life Insurance Policyholders-Net			
7- Other Technical Provisions-Net			100,620,276.56
F- Other Liabilities and Provisions		0.00	0.00
1- Other Liabilities			
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities			
3- Provisions for Other Debts and Expenses			
G-Provisions for Other Risks		4,388,533.14	4,197,756.01
1- Provision for Employment Termination Benefits		4,388,533.14	4,197,756.01
2- Provision for Social Benefit Fund Deficits			
H- Income related to Future Years and Expense Accruals		21,989.33	19,512.27
1- Income Related to Future Years		17,387.83	
2- Expense Accruals			
3- Other Income Related to Future Years and Expense Accruals		4,601.50	19,512.27
I- Other Long-Term Liabilities		0.00	0.00
1- Deferred Tax Liabilities			
2- Other Long-Term Liabilities			
IV- Total Long-Term Liabilities		4,410,522.47	104,837,544.84

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Balance Sheet 31.12.2007 (TRY)

SHAREHOLDER'S EQUITY	Note	31.12.2007	31.12.2006
V- Shareholder's Equity			
A- Paid-Up Capital		385,000,000.00	343,000,000.00
1- Nominal Capital	18	385,000,000.00	343,000,000.00
2- Unpaid Capital (-)			
3- Capital Reserve Due to Inflation Adjustment of Paid-Up Capital			
4- Capital Reserve Due to Inflation Adjustment of Paid-Up Capital (-)			
B- Capital Reserves		269,527.49	40,419,867.09
1- Share Premium			
2- Share Cancellation Profits			
3- Sales Profits to be Transferred to Share Capital			40,419,867.09
4- Currency Translation Differences			
5- Other Capital Reserves		269,527.49	
C- Profit Reserves		248,978,164.30	104,833,851.01
1- Legal Reserves		15,340,337.56	10,498,709.82
2- Statutory Reserves		48,500,000.00	12,500,000.00
3- Extraordinary Reserves			
4- Special Reserves			
5- Valuation of Financial Assets	19	47,482,021.12	41,369,871.24
6- Other Profit Reserves	20	137,655,805.62	40,465,269.95
D- Retained Earnings		0.00	0.00
1- Retained Earnings			
E- Losses from Previous Years (-)		0.00	0.00
1- Losses from Previous Years			
F- Net Profit for the Period		72,675,659.89	48,413,135.09
1- Net Profit for the Period		72,675,659.89	48,413,135.09
2- Net Loss for the Period (-)			
Total Shareholder's Equity		706,923,351.68	536,666,853.19

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Balance Sheet

1. Banks account consists of the sum of deposits of TRY 227,328,264.87 and various foreign currencies of TRY 84,557,314.04 as at 31st December 2007. Time deposits of TRY 308,776,290.07 also include foreign currency time deposits of TRY 81,500,320.92. Banks account is subject to no restrictions except for the guarantee for the letters of credit of TRY 500 which has been issued for Boğaziçi Elektrik Dağıtım A.Ş.

Breakdown of foreign currency deposit accounts are as follows:

CURRENCY	AMOUNT	RATE	TRY
USD	22,271,391.81	1.1647	25,939,490.06
EURO	30,889,118.37	1.7102	52,826,570.24
GBP	2,489,237.69	2.3259	5,789,717.94
CHF	1,494.99	1.0273	1,535.80
TOTAL			84,557,314.04

Foreign currency transactions have been reflected in the accounts at the rates of exchange on transaction dates. Foreign currency deposits and securities have been valued at the buying rate of exchange of Turkish Central Bank prevailing at the balance sheet date and differences as the result of valuation have been reflected in the income statement as currency translation gains/losses.

2. Trading financial assets include stocks of TRY 12,415,288.51, government bonds with a total value of TRY 513,041,432.52, eurobonds with a value of TRY 11,115,085.95, repurchase agreements of TRY 684,280.90 and mutual funds with a value of TRY 503,384.51. There are no restrictions on the aforementioned accounts.

TRY securities as of 31st December 2007 are as follows:

TRY SECURıTıES	PURCHASE VALUE (TRY)	BOOK VALUE (TRY)
Government Bonds	476,084,747.51	513,041,432.52
Stocks	11,541,095.41	12,415,288.51
Repurchase Agreements	684,280.90	684,280.90
Mutual Funds	483,839.86	503,384.51

Eurobonds as of 31st December 2007 are as follows:

EUROBOND	PURCHASE VALUE	RATE	TRY
TR - USD	6,296,434.71	1.1647	7,333,457.51
TR - EURO	2,211,220	1.7102	3,781,628,44

3. Accounts due from reinsurance operations being TRY 48,604,427.06 consists of receivables from domestic insurance companies of TRY 36,167,219.39 and receivables from foreign companies of TRY 12,437,207.67.

4. TRY 27,862,984.57 followed under the reserves with insurance and reinsurance companies account consists of reserves with domestic insurance companies with a value of TRY 4,233,586.27 and reserves with foreign companies of TRY 23,629,398.30.

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Balance Sheet

5. Due from other related parties of TRY 11,020,864.80 consists of the amount (TRY 10,738,534) transferred for the set up of the Singapore Branch, within the context of Monetary Authority of Singapore's Regulation, the amount of TRY 269,644.19 regarding rent accrued of Miltaş Turizm İnşaat A.Ş. and the amount of TRY 12,686.61 pertaining to our receivables from the other related parties.

6. TRY 3,765,827.37 followed under income accrual accounts is composed of interest accruals regarding the financial year 2007 for time deposits having the maturity date 2008 being TRY 3,345,939.02 and the coupon payments of eurobonds regarding the financial year 2007 of TRY 419,888.35.

7. Prepaid taxes and funds constitute an amount of TRY 1,559,246.23 and represent the witholding tax amount related to the income from time deposits, treasury bills, government bonds, stock sales and repurchase agreements.

8. As a result of the overpaid amount of general expenses participation by our tenants being TRY 9,756.15, despite the accrual of personnel's salaries for the period January 2008 amounting to TRY 831,724.70 and other miscellaneous accounts with a value of TRY 2,400, other current assets appeared as TRY 824,368.55.

9. TRY 7,685,547.69 followed under doubtful receivables from operations consists of receivables from foreign companies of TRY 1,724,149.04 and receivables from domestic insurance companies of TRY 5,961,398.65. 100% provision was set aside for this item.

10. Long term securities, affiliates and subsidiaries as at 31.12.2007 are followed under financial assets account with our percentage shares as below:

FINANCIAL ASSETS	BOOK VALUE (TRY)	MİLLİ RE'S SHARE (%)
Anadolu Anonim Türk Sigorta Şirketi	119,191,045.94	21.780
T. Sınai Kalkınma Bankası A.Ş.	9,295,994.52	1.204
Anadolu Hayat Emeklilik A.Ş.	8,609,999.50	1.000
İş Girişim Sermayesi Yatırım Ort. A.Ş.	2,932,800.00	4.444
Koç Allianz Sigorta A.Ş.	1,843,415.65	2.847
Miltaş Turizm İnşaat Tic A.Ş.	746,206.67	77.000
İşnet Elekt. Bilgi Üretim Dağ. Tic. ve İletişim Hizm. A.Ş.	278,907.79	1.000
Paşabahçe Cam Sanayii ve Ticaret A.Ş.	133,713.30	0.019
Güven Sigorta T.A.Ş.	98,548.17	0.049
Axa Oyak Sigorta A.Ş.	35,503.19	0.002
İş Merkezleri Yönetim A.Ş.	23,890.29	0.694
T. Şişe ve Cam Fabrikaları A.Ş.	17,037.50	0.003
Miltaş Sigorta Aracılığı A.Ş.	16,663.27	6.000
Çayırova Cam Sanayi A.Ş.	3,878.50	0.021
Camiş Menkul Değerler A.Ş.	2,456.55	0.052
TOTAL	143,230,060.84	

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Balance Sheet

11. Buildings followed under the tangible assets account have a net book value of TRY 82,477,259.20 and book value of the land is TRY 107.73. All tangible assets are insured in full and on due dates. Amortization procedures have been followed in accordance with Capital Market Board Communiqué Series XI No.25. There is no restriction on tangible assets.

REAL ESTATE FOR INVESTMENT PURPOSES	BOOK VALUE (TRY)	ACCUMULATED AMORTIZATION (TRY)	NET BOOK VALUE (TRY)
Suadiye Sports Center	8,770,566.35	1,155,994.66	7,614,571.69
Villa Office Building	1,854,863.58	281,070.29	1,573,793.29
Parking Garage	3,362,773.24	485,061.11	2,877,712.13
Head Office Building	27,354,528.07	2,946,341.33	24,408,186.74
Automatic Parking Garage	19,665,158.71	1,673,791.30	17,991,367.41
TOTAL	61,007,889.95	6,542,258.69	54,465,631.26

REAL ESTATE OCCUPIED BY COMPANY	BOOK VALUE (TRY)	ACCUMULATED AMORTIZATION (TRY)	NET BOOK VALUE (TRY)
Head Office Building	31,392,944.97	3,381,317.03	28,011,627.94
TOTAL	31,392,944.97	3,381,317.03	28,011,627.94

12. Other intangible assets with a value of TRY 53,011,813.56 is the acquisition premium relating to the acquisition of Destek Reasürans T.A.Ş. by Milli Reasürans T.A.Ş. in 2005.

13. TRY 27,524,781.67 followed under payables from reinsurance operations includes payables from domestic insurance companies with a value of TRY 23,202,748.14 and payables from foreign companies with a value of TRY 4,322,033.53.

14. TRY 1,416,232.50 followed under reserves from insurance and reinsurance companies is the sum of reserves from domestic insurance companies being TRY 1,296,844.80 and reserves from foreign companies of TRY 119,387.70.

15. TRY 207,679.21 due to shareholders include dividends regarding the financial year 2006 and previous years not yet been collected by shareholders.

16. TRY 55,982.92 due to other related parties include personnel training budget assigned to the Undersecretariat of Turkish Treasury with a value of TRY 49,985.19, previous years dividends with a value of TRY 3,057.61 which will be paid to the founders, and other miscellaneous payables amounting to TRY 2,940.12.

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Notes to the Balance Sheet

17. The breakdown of insurance technical provisions is as follows:

TECHNICAL PROVISIONS	TRY
a) Provision for Unearned Premiums - Net	247,511,432.36
Provision for Unearned Premiums - Gross	254,415,147.30
Retrocessionaires Share (-)	6,903,714.94
b) Provision for Outstanding Losses - Net	223,795,505.23
Provision for Outstanding Losses - Gross	266,451,493.66
Retrocessionaires Share (-)	42,655,988.43
c) Mathematical Reserves (Life) - Net	1,138,141.78
Mathematical Reserves (Life) - Gross	1,138,141.78
Retrocessionaires Share (-)	0.00
d) Provision for Outstanding Indemnity (Life) - Net	564,117.07
Provision for Outstanding Indemnity (Life) - Gross	1,001,780.75
Retrocessionaires Share (-)	437.663.68
TOTAL	473,009,196.44

18. No privilege is granted to shareholders. Shareholders holding 10% and more of the equity are shown below:

SHAREHOLDER	SHARE (%)	EQUITY PARTICIPATION (TRY)
Türkiye İş Bankası A.Ş.	76.64	295,056,373.15
Milli Reasürans T.A.Ş. Pension Fund	10.54	40,586,838.60
Other (27 Shareholders)	12.82	49,356,788.25

19. The valuation of financial assets in accordance with the market value of the financial assets as at 31.12.2007 within the context of Capital Market Board Communiqué Series XI No.25 and the amount in excess after the valuation amounting to TRY 47,482,021.12 is followed under valuation of financial assets item in shareholder's equity account.

20. The amount of TRY 137,655,805.62 under shareholder's equity as a profit reserve is the contingency fund for earthquake of Destek Reasürans T.A.Ş. with a value of TRY 40,465,269.95 which has been transferred to this account by the termination of this liability as of 31.12.2005 due to the merger and the transfer of the contingency fund for earthquake with a value of TRY 97,190,535.67 set aside as at the end of 2006 to the shareholders' equity account within the context of the Circular published by the Undersecretariat of Treasury on 04.07.2007.

21. Receivables and payables from TRY transactions are recorded in our accounts with their book value and transactions denominated in foreign currencies are followed with their equivalent TRY value after having been converted at the buying rate of exchange of the Turkish Central Bank prevailing on 31.12.2007.

22. Total number of employees of Milli Reasürans T.A.Ş. was 192 at the beginning of the financial year and 194 at the end.

23. The balance sheet has been approved on 24 March 2008.

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
Profit Distribution Chart (TRY)

	31.12.2006	31.12.2007
Profit Before Tax for the Period	65,075,645.13	94,694,326.06
Taxes and Legal Obligations Payable (-)	16,662,510.04	22,018,666.17
Net Profit for the Period	48,413,135.09	72,675,659.89
Losses in Previous Periods (-)		
Distributable Profit	48,413,135.09	72,675,659.89
Legal Reserves	4,841,313.51	7,267,565.99
First Legal Reserves	4,841,313.51	7,267,565.99
Second Legal Reserves		
Statutory Reserves	37,563,338.56	34,838,959.58
Catastrophe Fund	36,000,000.00	34,000,000.00
Other Optional Reserves	1,563,338.56	838,959.58
Distributed Profit	6,008,483.02	30,569,134.32
First Dividend to Shareholders	4,841,313.51	7,267,565.99
Second Dividend to Shareholders	989,686.49	21,732,434.01
Dividends to Employees	81,915.24	724,215.84
Dividends to Founders	95,567.78	844,918.48

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