2013 ANNUAL REPORT

MİLLİ RE
since 1929

85
th year

Local Leader, Global Partner

Contents

General Information

Millî Reasürans Türk Anonim Şirketi
2013 Annual Report
Central Registry System (Mersis) No: 0621003912600011

Maçka Caddesi No: 35 34367 Şişli - İstanbul/TURKEY
Phone : +90 212 231 47 30
Fax : +90 212 230 86 08
E-mail : info@millire.com
millire@millire.com

Singapore Branch
24 Raffles Place #17-04A, Clifford Centre
Singapore 048621
Phone : +65 6499 9340
Fax : +65 6534 2884
E-mail : kc.chew@millire.com

www.millire.com
www.millire.com.tr

Vision

To maintain and further strengthen the key position in the local market and transform into a prominent reinsurance company in international markets.

Mission

- Provide quality service and effective solutions with best practice standards.
- Further strengthen its strong capital structure and financial adequacy.
- Ensure ethical, transparent conduct and high standards in its relations and to create value for all counterparties.
- Further enhance the development and the performance of employees aligned with the company-wide strategic targets.

Corporate Profile

Milli Re is the single privately-owned company that has operated a compulsory reinsurance system in the world.

85 years of successful performance
Set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system on February 26, 1929, Milli Re commenced operations on July 19, 1929.

Milli Re is the single privately-owned company that has operated a compulsory reinsurance system in the world.
Having redefined its goals and strategies in alignment with the current conditions upon termination of the compulsory reinsurance system, the Company today continues to offer service as a global, prestigious and trusted reinsurer enjoying the capability to compete with the world's leading reinsurers on the international platform.

Milli Re is the only local reinsurer operating in the Turkish insurance industry.
Milli Re participates in reinsurance agreements in almost every line of business of local and foreign companies operating in the industry. This positions Milli Re beyond and above a local reinsurer, and endorses its international prestige and the trust held in its robust financial structure.

Milli Re has taken on significant roles in the formation and development of the Turkish insurance industry.
The Company not only operated the compulsory reinsurance system, but also made numerous contributions to our country including:

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

Milli Re has been managing the Afro-Asian Insurers and Reinsurers (FAIR) Pool for 40 years.
Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1967 to 1995, which was originally established under the name RCD Pool. Managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool since 1974, Milli Re has also taken on the management of the Turkish Catastrophe Insurance Pool (TCIP), whose formation it contributed to, from 2000 to 2005.

Corporate Profile

Milli Re creates an ever-increasing added value for the industry and the national economy on the back of its successful performance sustained for 85 years.

Milli Re writes business extensively from international markets.

Combining the experience, confidence and prestige earned as the only active local reinsurance company in the Turkish insurance market with the expertise from the management of the FAIR Pool, Milli Re more actively began writing business from international markets in 2006. Aiming for global expansion and portfolio diversification, the Company built a strong structure that is active also in international reinsurance markets and is resilient to competition and market conditions.

On April 5, 2013, A.M. Best assigned Milli Re a global rating of B+ with a negative outlook.

Milli Re's Turkish national scale rating was affirmed as "tr AA+" by Standard&Poor's (S&P) on July 12, 2013. According to Standard&Poor's, this rating indicates Milli Re's leading position in the Turkish insurance industry and its strong financial structure.

Milli Re is committed to maintaining its consistent growth.

Creating an ever-increasing added value for the industry and the national economy on the back of its successful performance sustained for 85 years, Milli Re is committed to growing its market share in Turkey and in target regions in the years ahead, enhancing its service quality, and maintaining its consistent growth.

Milli Re Singapore Branch

As part of the strategy to penetrate international markets, Milli Re, like many other global reinsurers, undertook a detailed analysis of the benefits of opening regional branches. Accordingly, it was decided to open a branch in Singapore in view of the relative weight of the Far East in the global insurance market, as well as its potential business volume and geographical location.

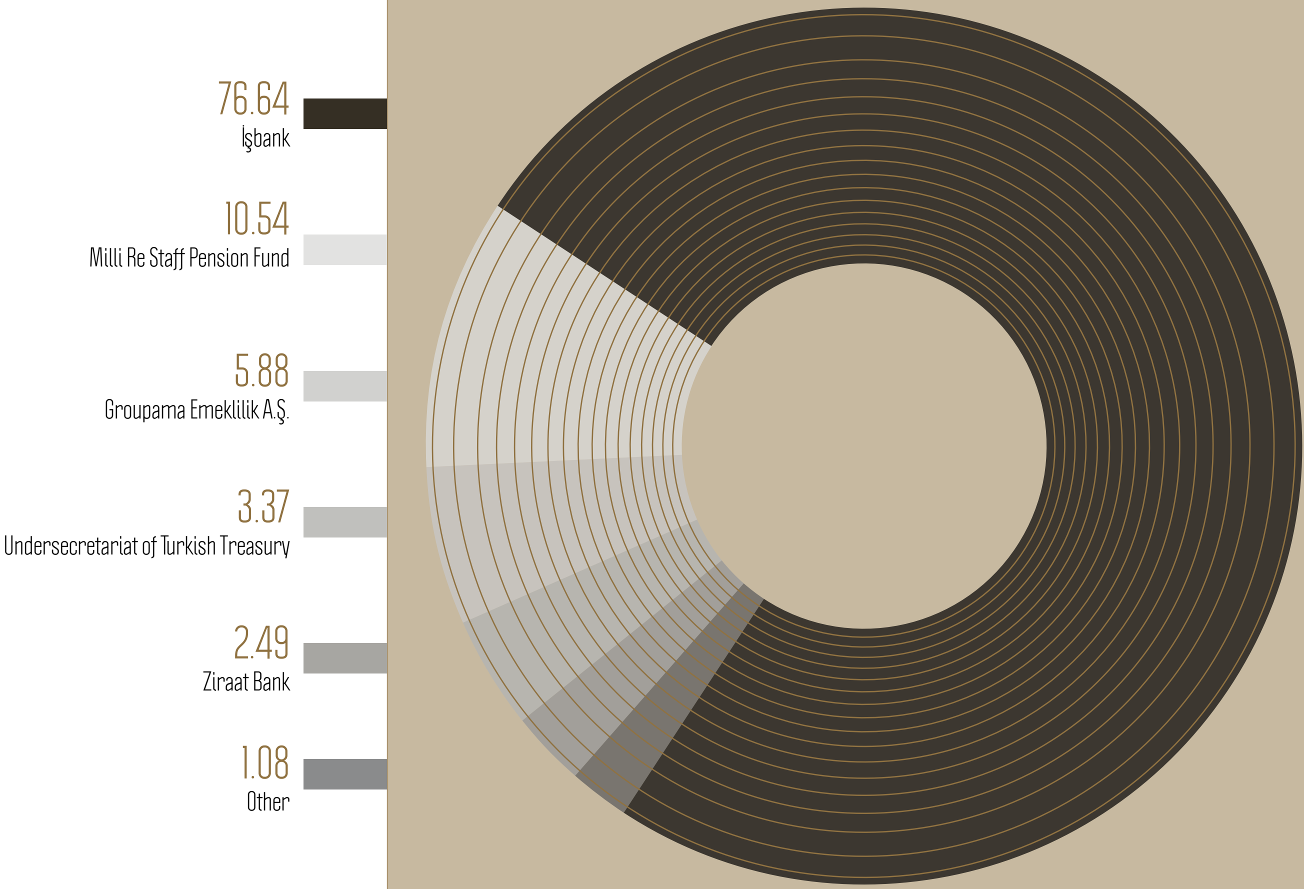
Having received the license for operation from the Monetary Authority of Singapore (MAS) in November 2007, the Singapore Branch rapidly pressed ahead with setting up basic infrastructure including the establishment of a data processing system and employment of personnel, and began writing business from April 1, 2008. Activities of the Singapore Branch make up an important part of the international portfolio of Milli Re.

Milli Re's Singapore Branch provides service with an experienced and competent team of 11 people.

Anadolu Sigorta

Holding 57.31% share in its capital, Milli Re is the principal shareholder in Anadolu Sigorta, one of the largest and established insurance companies in the Turkish insurance industry.

Milli Re Shareholder Structure (%)



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	471,323,816.85	76.64
Milli Re Staff Pension Fund	64,840,593.90	10.54
Groupama Emeklilik A.Ş.	36,163,765.05	5.88
Undersecretariat of Turkish Treasury	20,724,060.90	3.37
Ziraat Bank	15,310,652.55	2.49
Other	6,637,110.75	1.08
Total	**615,000,000.00**	**100.00**

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

Capital Increases
There were no capital increases during 2013.

Changes in the Shareholder Structure in 2013
There were no changes in the shareholder structure in 2013.

Changes in the Articles of Association during 2013
The Company's Articles of Association was revised in order to achieve its alignment with the provisions of the Turkish Commercial Code no. 6102 that went into force as of July 1, 2012 and other applicable legislation, and it has been approved at the Company's Annual General Meeting convened in March 2013.

Disclosures on Preferred Shares
There are no preferred shares.

Milestones

1929
Milli Re is founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.

1963
The management of "Turkish Reinsurance Pool", established to write international business was handed over to Milli Re in accordance with the agreement with Turkish insurance companies.

1967
The management of "RCD Fire Reinsurance Pool", established under an agreement entitled "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was given to Milli Re.

1970
The management of the system known as "Decree Pool", established according to Decree no. 17 set out by the Ministry of Finance on the Protection of the Value of Turkish Currency was given to Milli Re.

"Türk Sigorta Enstitüsü Vakfı" (Turkish Insurance Institute Foundation) was established by Milli Re and the Insurance Association of Turkey.

1974
The management of "Fair Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed over to Milli Re.

1982
Compulsory reinsurance cessions to Milli Re on Quota Share Basis were changed to Surplus Basis.

1986
MİLTAŞ Sports Complex, built under the efforts of Milli Re, and which hosts the traditional "International Insurers Tennis Tournament" organization, was brought into the service of the sector.

1991
Milli Re began to offer additional reinsurance capacity to the market, by drawing up its first reinsurance treaties apart from "Compulsory Cessions" and "Decree Pool".

"Reasürör" magazine, which is a scientific resource with full academic content including compilations, translations, interviews, and statistical information in a variety of branches, was first published.

1993
Milli Re moved to its new head office in Teşvikiye.

1994
Milli Reasürans Art Gallery, a corporate gallery where works by prominent local and foreign artists are exhibited and renowned for its publications, was opened.

1996
Milli Reasürans Chamber Orchestra was established. The orchestra is made up of artists, most of whom also continue their solo music careers, and the orchestra performs with the participation of locally and internationally known conductors and musicians.

2000
Turkish Catastrophe Insurance Pool (TCIP) set up alongside the "Compulsory Earthquake Insurance" system established by the Undersecretariat of Turkish Treasury became operational under the management of Milli Re.

2001
Risk-based Compulsory Reinsurance System came to an end.

2005
Milli Re became the only active and local reinsurance company in the Turkish market after the acquisition of Destek Reasürans T.A.Ş.

2006
Milli Re began to write business from outside Turkey.

2007
The Singapore Branch, which is expected to play an important role for Milli Re in expanding its presence in foreign markets, was opened.

2010
Milli Re acquired an additional 35.5% stake in Anadolu Sigorta, which is a group company.

Accordingly, Milli Re, Turkey's only active local reinsurance company, increased its share in the capital of Anadolu Sigorta, one of the largest and established insurance companies in the sector, to 57.3%.

2013
In its 85th year in operation, Milli Re continues to be a reliable and preferred business partner abroad, as well as sustaining its leadership in the industry on the back of its long-standing business experience, robust financial structure and successful operational performance.

Chairman's Message

2013 went down in the records as a year during which positive developments came to the fore in the US, weak course persisted in the Euro Zone in spite of increasingly positive signals, growth rates in emerging countries lost pace, and the global economic outlook failed to recapture the pre-crisis momentum.

Having started to perform more positively compared with the previous year, Turkish economy achieved positive growth for the 16th quarter in a row with 4.4% expansion in the third quarter of 2013. However, adverse developments including uncertainties with international origin, the rise in exchange and interest rates, and declined contribution of net exports to growth, caused Turkish economy to follow trend for other emerging economies and the impact of global developments were more evident starting from the second half of the year.

Worldwide insurance industry registered 2.5% premium growth in 2012 and 2013. Limited growth in total sums insured was a factor in the sluggish increase in premiums.

Following a downturn in 2011, premium production in life insurance rose and adopted an upward trend in 2012 and 2013; the increase was 2.9% for 2013. While premium growth in non-life insurance remained flat in developed countries, there was a very slight decrease in emerging countries.

In 2013, reinsurance capital showed 1% rise over the previous year and reached an all-time record level of USD 525 billion. Benign natural catastrophe activity across the world and the operational performance of reinsurers have

Chairman's Message

been influential in the increased capital channeled into the reinsurance industry. Furthermore, capital from alternative sources such as cat bonds increased reinsurance capacity. It is estimated that these sources are accountable for USD 45 billion of the capital available in the market.

Expanded reinsurance capacity in 2013, combined with additional capacity provided through alternative reinsurance and the demand for reinsurance that was outgrown by supply, gave reinsurance buyers access to a softened and competitive market in 2014 renewals in general, however, this development was not universal and markets recently experiencing cat losses hence facing capacity difficulties.

Turkish insurance industry attained one of the world's highest growth rates in premiums in recent years following South and East Asia. Total premium produced by the Turkish insurance industry in 2013 was up by approximately 22% year-on-year and reached TL 24 billion. The change in real terms, which was 9% in the previous year, was nearly 14% in 2013.

In 2013, our Company produced TL 925 million premium. As a result of our underwriting strategy, which involves withdrawal from loss producing Motor&Health, our domestic premium production slimmed down by 10%. While premium production declined in conjunction with portfolio pruning efforts, the weight of premiums derived from our international business in our total premium production remained flat with last year's level at 24%.

While our Company posted TL 22.6 million in profit on its operations in 2013, total assets reached TL 1,847 million and shareholders' equity TL 702 million.

Its know-how and experience of 85 years have driven our Company to the position of a strong and trusted reinsurer both in the local market and in the international arena. Our aim is to remain a preferred business partner in international markets, while sustaining our leadership in the Turkish market for many more years to come in line with our predetermined strategies.

I would like to extend my thanks first and foremost to İşbank, and to our shareholders, insurance companies, and all employees of Milli Re that have supported us in the path that leads to our goal.

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

Its know-how and experience of 85 years have driven our Company to the position of a strong and trusted reinsurer both in the local market and in the international arena.

General Manager's Message

Although a relative recovery is observed in the US economy, along with partially positive signals in the Euro Zone economies as at year-end 2013, economic activity still stays weak due to the decelerated growth rates of emerging countries, which have been the driver of growth in the aftermath of the global crisis. At the same time, stricter monetary policies implemented by developed countries' central banks continue to be influential on global financial markets.

Global risk appetite showed volatility in the recent months due to the US Fed's tapering decision. The exit strategy to be followed in the short term by the Fed and the possible interest rate increases in the medium and long-term will be decisive on international capital flows. Hence, it is crucial whether the normalization of the Fed's monetary policy will move in parallel with the recovery in economic activity in the US and in the Euro Zone.

The growth rates in emerging countries, which were the driver of the global economy in the post-crisis period, slowed down recently. It is believed that both structural and cyclical factors played a part in this deceleration.

With the positive effect of economic performance, Turkish insurance industry continued to grow in 2013.

In spite of the expansionary monetary policies implemented in developed countries, a significant inflationist pressure is not felt on a global scale. Due to the slow recovery in economic activity in developed countries and the continued downward pressure on salaries, inflation is expected to stay below the targeted value for some more time. The recent emergence of the deflation risk in the Euro Zone incited the European Central Bank (ECB) to cut interest rates after a long break.

Economic activity in Turkey displayed a more positive outlook in the second and third quarters of 2013 as compared with that in the first quarter. The growth rate for the first three quarters was 4%. The recuperation in domestic consumption and the base effect in gold trade led to some deterioration of the current account deficit. The increased instability in the global financial markets after May resulted in fluctuating capital flows and exchange rates, and increased uncertainties in relation to global monetary policies from the second quarter of 2013, led to capital outflows from emerging countries, among which Turkey belongs. It is anticipated that the tightening in financial conditions lately will limit the bank lending and the increase in current account deficit in the year ahead.

With the positive effect of economic performance, Turkish insurance industry continued to grow in 2013. Based on year-end data, the growth in the sector, which attained a premium production of TL 24 billion, showed 22% rise in 2013, up from 16% in 2012. Change in real terms, which was a 9% increase in 2012, was 14% in 2013. The growth potential of the sector stirred an interest in international insurance companies towards the Turkish market, resulting in large-scale acquisitions during 2013.

This positive development in the sector stemmed from the large growth in premium in certain branches having significant shares within the total premium production, such as Accident Insurance, Land Vehicles Liability Insurance, Fire and Natural Disasters Insurance and Engineering Insurance.

The positive environment in global insurance and reinsurance markets had a favorable impact on the local market.

Non-life branches accounted for 86% of total production as at year-end 2013, amounting to TL 20,834 million. Aiming to guide people to saving up, but also encompassing risk elements, Life Insurance was able to capture a high (25.3%) growth production in 2013; yet, certain incentives introduced by the Government proved to be a powerful factor in steering people to prefer the Private Pension System for their future plans.

During 2013, companies operating in Turkey focused on technical profitability, particularly in Non-Life branches, and pursued a more disciplined underwriting policy when compared with the prior years. Consequently, technical results the industry achieved in Non-Life branches showed a remarkable improvement.

Looking at global reinsurance markets, worldwide reinsurance capital has reached a record level as the result of alternative capital provided by instruments in the form of cat bonds, side-cars and Industry Loss Warranties. On the other hand, the consolidation process in financial markets, which had gained momentum in 2012 and continued in 2013 with a number of large-scale mergers and acquisitions, was also influential in the capital expansion. The estimated share of capital from alternative markets went up from 8% to 15% over the course of the past five years, and it has been observed that alternative reinsurance products gradually converge with traditional markets in terms of pricing and coverage.

The positive environment in global insurance and reinsurance markets had a favorable impact on the local market, and reinsurance costs of insurers went down in the 2014 reinsurance renewals, which have been finalized a short time ago. While proportional treaties were renewed at almost flat terms and conditions, reduction was achieved in the costs of non-proportional reinsurance treaties, whereby the industry obtains catastrophe coverage. When 2014 renewal had begun, the industry was relieved to a large extent by the reinsurance capital of USD 525 billion currently available on a global scale and alternative reinsurance capacity in the order of USD 45 billion that includes instruments such as cat bonds and Insurance Linked Securities (ILS), meaning derivative securities linked to insurance contracts.

General Manager's Message

In 2013, Milli Re produced TL 925 million premium. 76% was from the local market, while 24% thereof was generated from international business. During the same period, the Company's paid claims decreased by TL 102 million to TL 619 million. Premiums in the amount of TL 222 million derived from the international book made up nearly one fourth of the total premium production, and as such, support the Company's target of maintaining a well-balanced portfolio structure.

In 2013, the Company's total assets went up by 4.7% to TL 1,847 million.

In accordance with our underwriting strategy of withdrawal from insurance branches which continually produce negative results that have been in place for the past five years, the share of Non-Life branches such as Land Vehicles Own Damage, Land Vehicles Liability and Health to the Company's total premium income declined from 50% five years ago to 7.5% at year-end 2013. The year-on decline in the local premium was also a result of the Company's choice to cut back the Company's participation in the reinsurance treaty of Agricultural Insurance Pool (TARSİM), a major source of premium production that has been rapidly growing in recent years, in conjunction with technical results. Another factor was the fact that business written from the Turkish Republic of Northern Cyprus began to be accounted for under international portfolio. On the other hand, premium income generated from international business declined in 2013 due to various reasons including rate reductions across the globe and our Company's non-renewal of certain reinsurance treaties within the frame of our portfolio pruning measures.

In 2013, the Company's total assets went up by 4.7% to TL 1,847 million and shareholders' equity grew by 6.6% to TL 702 million, while our 2013 operations yielded a net profit for the period in the amount of TL 22.6 million. While Milli Re retains its leadership in the greatly valued local market, the Company confidently moves towards its goal of being a preferred reinsurance company abroad. I would like to thank our valuable shareholders, business partners and committed employees for the support they lend us for achieving this target.

Hasan Hulki YALÇIN
Director and General Manager

Board of Directors

Board of Directors

Board of Directors

1- Mahmut MAGEMİZOĞLU
Chairman

Mahmut Magemizoğlu is a graduate of Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration. He holds a master's degree in investment analysis from the University of Stirling (UK). Mahmut Magemizoğlu began his career at İşbank in 1982 on the Board of Inspectors and served in a number of the Bank's units. He has been functioning as Deputy Chief Executive of İşbank since his appointment on 2005. Besides his duty as Chairman in Anadolu Hayat Emeklilik A.Ş., Mahmut Magemizoğlu has been the Chairman of the Board of Directors at Milli Re since 29 April 2011 and also heads the Corporate Governance Committee.

2- Mehmet Cahit Nami NOMER
Vice Chairman

Cahit Nomer holds a degree in Law from İstanbul University. He began his career at Milli Re, 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 24 years altogether. Appointed as the General Manager on 21 January 1981, Cahit Nomer served in this position until 16 January 2009, and since that date he has been the Vice Chairman of the Board of Directors.

3- Atty. Nail GÜRMAN
Director

Atty. Nail Gürman holds a degree in Law from Ankara University. He has offered service to many prominent companies and banks as a legal practitioner and is working as an independent lawyer in Ankara. Serving at İşbank's Board of Directors between 2003 and 2008, Atty. Nail Gürman has been a member of the Board of Directors at Milli Re since 30 April 2008.

4- İsmet ATALAY
Director

İsmet Atalay graduated from the Faculty of Law, İstanbul University and he started his professional career as an independent lawyer in Kars and served as Kars Provincial Chairman of Republican People's Party (CHP) for 10 years. He entered to the Turkish Parliament (TBMM) as a representative of Kars in 1977, of Ardahan in 1995 and of İstanbul in 2002. In CHP, he served as a member of the Group Board, the General Administrative Committee, and the Central Executive Committee, and as a General Accountant. Served as a member of the Board of Directors of İşbank between 2008-2010, İsmet Atalay has been a member of the Board of Directors at Milli Re since 29 April 2011.

5- Hülya ALTAY
Director

Hülya Altay graduated from Ankara University, Faculty of Political Sciences, and joined İşbank in 1982 as an Assistant Economics Specialist. After serving in a number of the Bank's units and branches, she has been appointed as Deputy Chief Executive on 2004 where she served until 2011. Functioned as the Chairman of İş Portföy Yönetim A.Ş., Ms. Altay has been a member of the Board of Directors at Milli Re since 29 April 2011.

6- Recai Semih NABİOĞLU
Director
Recai Semih Nabioğlu graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, and received his graduate degree in accounting and finance from the same university. Having started his career in 1990 at İşbank as an Assistant Specialist, he currently serves as Unit Manager at Equity Participations Division. To date, Mr. Nabioğlu functioned as Board Member and statutory auditor at various subsidiaries of İşbank. Currently holding a seat on the Boards of Directors of Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş., Recai Semih Nabioğlu has been serving as the Board Director responsible for Internal Systems at Milli Re since 24 August 2012.

7- Bülent Naci İNAN
Director
Having completed his high school education at TED College in Ankara, Bülent Naci İnan got his bachelor's degree in international relations from the Faculty of Economics and Administrative Sciences at Gazi University. Holding also an MBA, he began his career at Yapı Kredi Bank as a specialist in 1985. He continued his career as an inspector at İşbank in 1988, where he served as a manager in a number of the Bank's units. Currently he is the manager of Teşvikiye Branch at İşbank. He served as a member of the Board of Directors at Destek Reasürans T.A.Ş. and Advertisers Association of Turkey, as Vice Chairman of the Board of Directors at İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş., İş Factoring Finansman Hizmetleri A.Ş. and Gemport Gemlik Liman ve Depolama Hizmetleri A.Ş., and as the Chairman of the Board of Directors at Kültür Yayınları İş Türk Ltd. Şti. Bülent Naci İnan has been functioning as a member of the Board of Directors at Milli Re since 29 March 2013.

8- Erdal İNCELER
Director
Erdal İnceler holds a degree in economics from the Faculty of Economics and Administrative Sciences at the Middle East Technical University and a master's degree in international banking and finance from the University of Heriot-Watt in Edinburgh. Erdal İnceler began his career at İşbank as an Assistant Specialist in the Training Department in 1990. He was appointed as an Assistant Manager in 1999 and as a Group Manager in 2005 in the same Department. He served as a member of the Board of Auditors at İş Gayrimenkul Yatırım Ortaklığı A.Ş. and ASMAŞ, and as a member of the Board of Directors at Anadolu Hayat Emeklilik A.Ş. Erdal İnceler is currently the Human Resources Unit Manager at İşbank and has been functioning as a member of the Board of Directors at Milli Re since 29 March 2013.

9- Hasan Hulki YALÇIN
Director and General Manager
Hasan Hulki Yalçın attended TED Ankara College for his primary, secondary and high school education and graduated from the Middle East Technical University, Department of Economics. He then got his master's degree in international banking and finance from The University of Birmingham in the U.K. Mr. Yalçın joined İşbank as a member of the Board of Inspectors, where he worked for 14 years in different positions. He joined Milli Re in 2003 and attended various professional training programs abroad. Appointed as a member of the Board of Directors and General Manager on 16 January 2009, Hasan Hulki Yalçın is also a member of the Non-Life Management Committee of the Insurance Association of Turkey, and a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

10- Fahriye ÖZGEN
Reporter of the Board of Directors

Participation of the Members of the Board of Directors in 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 or Vice Chairman's invitation, with the participation of the majority of the total number of Directors on the Board. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics that 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 15 times during 2013, with all members attending 13 of these meetings, whereas one member was excused from one meeting, and two members from another meeting.

Senior Management

Senior Management

1- Hasan Hulki YALÇIN
Director and General Manager
Please see Board of Directors page for Mr. Yalçın's CV.

2- Barbaros YALÇIN
Assistant General Manager
Barbaros Yalçın holds a degree in Law from İstanbul University and began his career at Milli Re in the Fire Insurances Department. He has pursued professional studies in Switzerland and the UK. He has been appointed as Assistant General Manager on 01 September 1988 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 Insurance Association of Turkey.

3- Kemal ÇUHACI
Assistant General Manager
Mr. Çuhacı graduated with a B.A. in Political Science from Ankara University and started his business career in Milli Re's Marine Insurances Department in 1986. He attended the diploma courses in Chartered Insurance Institute in the UK in 1987 and was awarded the title of 'Associate' in 1988. During his employment, he participated in various seminars and conferences in the UK and Switzerland. He has been appointed as Assistant General Manager on 01 September 2011.

4- Özlem CİVAN
Assistant General Manager
Having completed her secondary and high school education at Robert College, Özlem Civan graduated with a B.A. degree in Business Administration in English from the Faculty of Business Administration at İstanbul University. Between 1990 and 1993, she worked in the Treasury and Fund Management Departments of several banks, embarking on her career in the insurance sector in 1994 at the Reinsurance Department of Güneş Sigorta. Leaving her position as Group Manager in charge of Reinsurance, Casualty and Credit Insurance in September 2006, Özlem Civan joined Milli Re the same year. She has participated in a number of training programs and seminars on insurance and reinsurance, organized by leading international reinsurance and brokerage companies. Özlem Civan has been appointed as Assistant General Manager on 01 September 2011.

5- Şule SOYLU
Group Manager
Şule Soylu graduated with a B.A. degree in Business Administration from the Faculty of Economics and Administrative Sciences at Anadolu University and received her master's degree in Financial Institutions from İstanbul University Institute of Business Economy. She began her professional career in Milli Re in 1990 and finished cum laude the Accounting Branch of the Turkish Insurance Institute. Currently serving as a member of the Financial and Accounting Committee of the Insurance Association of Turkey, Şule Soylu has been appointed as Group Manager on 01 September 2011.

6- Vehbi Kaan ACUN
Group Manager
Vehbi Kaan Acun graduated from İstanbul University, Department of Economics in English. He started his career as an Assistant Inspector on İşbank's Board of Inspectors. After serving at İşbank for 8 years, he joined Milli Re in 2006. During his career at Milli Re, he also worked as a Coordinator in the company's Singapore Branch. He participated in various seminars and conferences abroad and functions as a Board Member of the Turkish Insurance Institute Foundation. Vehbi Kaan Acun has been appointed as Group Manager at Milli Re on 01 June 2012.

Internal Systems Managers

Internal Audit Manager:
Ömer ALTUĞ
Term of Office: 2 years
Professional Experience: 28 years
Departments Previously Served: Accident, ECO-FAIR Pool Directorate
Academic Background: Bachelor's Degree

Internal Control and Risk Management Chief:
Duygu GÖLGE
Term of Office: 8 years
Professional Experience: 18 years
Departments Previously Served: Decree Pool Directorate
Academic Background: Master's Degree

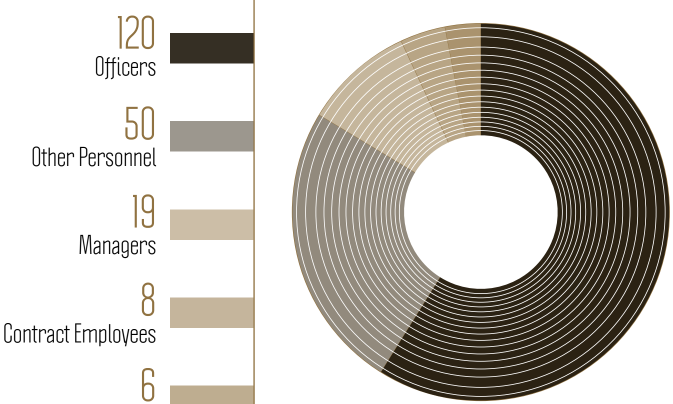
Human Resources Applications

Milli Re possesses a highly qualified work force that is loyal to the corporation, committed to the job, open to continuous learning and development.

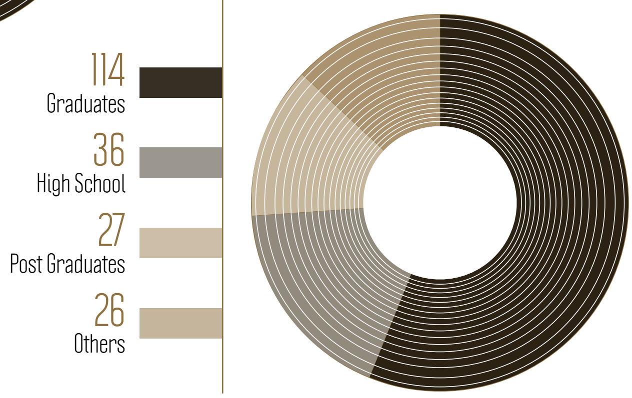
Recognizing that people make up one of the primary strengths that helps it achieve its targets, Milli Re possesses a highly qualified work force that is loyal to the corporation, committed to the job, open to continuous learning and development. The Company's Human Resources policy is built on the fundamental principles of; recruiting candidates possessing qualifications relevant to the vacant position, providing a business environment that is conducive to working efficiently, productively and happily, protecting and observing financial and moral rights of employees, providing fair and equal opportunities of development and training in view of personal skills enabling the building of social relationships that serve to motivate the individuals, and executing all internal processes efficiently.

As of year-end 2013, Milli Re had 203 employees on its payroll.

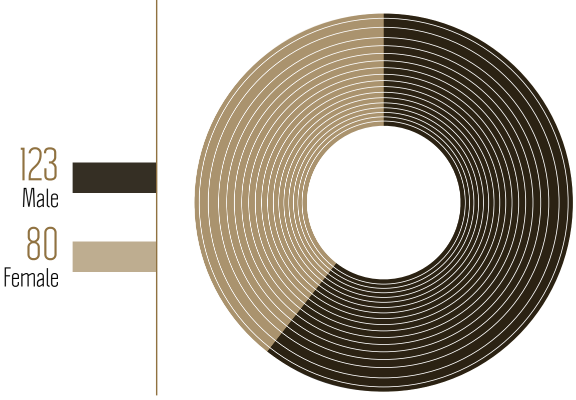
Employee Profile



Educational Background Profile



Human Resources Profile



Job Application
Job applications are made via **personel@millire.com** on our corporate website and other communication means and stored in a pool.

When needed, applications are examined and candidates who are seen appropriate for the positions are contacted.

Recruitment
Milli Re recruits candidates possessing the qualifications called for by the relevant position, while also paying attention to selecting individuals who will easily adjust to the corporate culture.

Performance Management
Performance appraisals of employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines in place at the Company; based on the results of the appraisals conducted, career planning is made and training needs are identified.

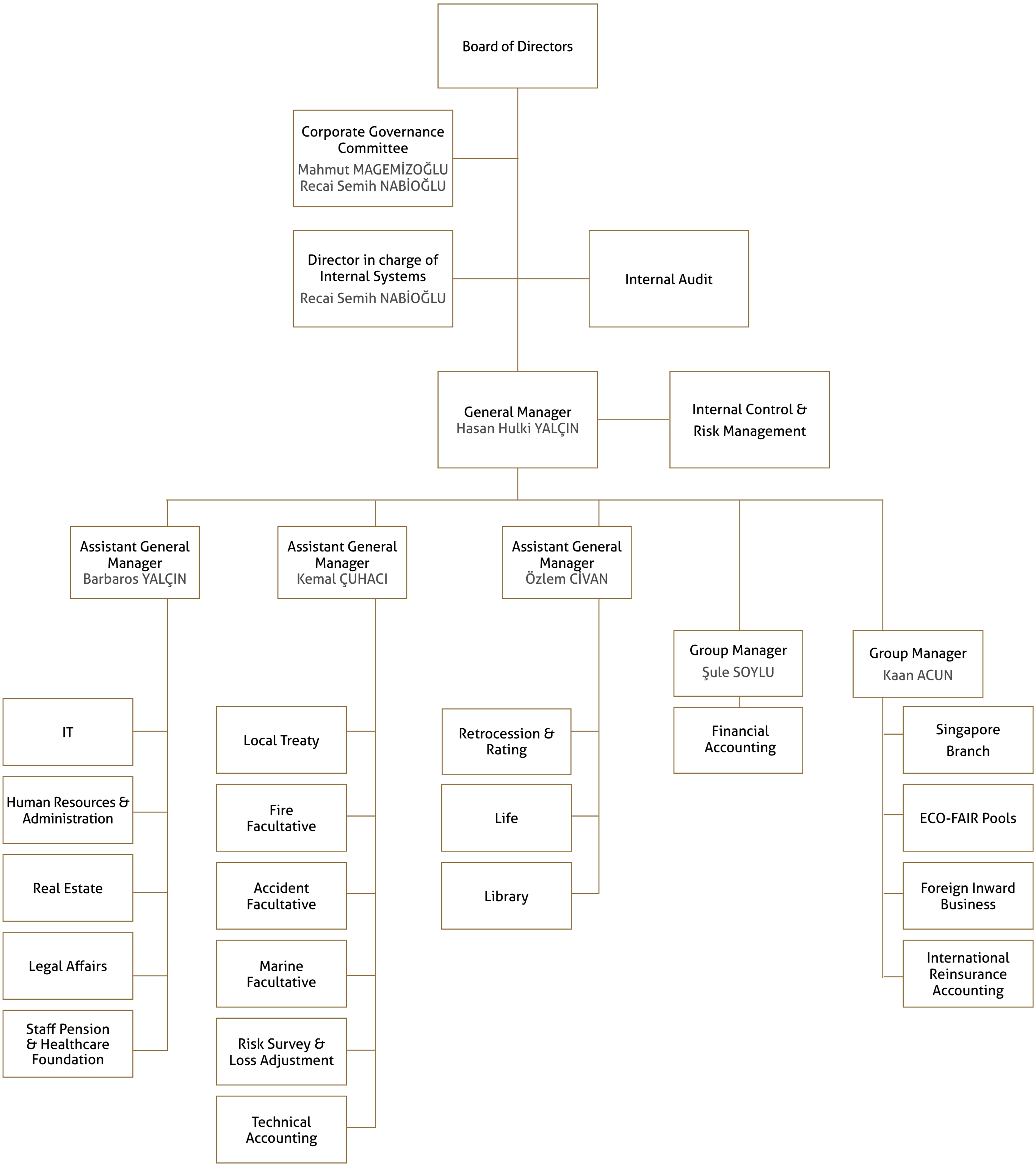
Training
Training requirements identified according to performance appraisal results are used to formulate the training program, and employees are given opportunity to receive technical and personal development training in or out of Turkey as necessitated by their positions.

Career
Ever since its establishment, Milli Re had the policy of investing in its work force so that the staff is promoted to managerial positions. Promotions are made in line with the Personnel Regulation and the principles set forth in the collective agreement, done with the Workers' Trade Union, taking into consideration the results of Performance Appraisals.

Compensation Policy
Our employees' salaries are adjusted in accordance with the terms of the collective bargaining agreement within the rules of related regulations.

Ever since its establishment, Milli Re had the policy of investing in its work force so that the staff is promoted to managerial positions.

Organization Chart



2013 Annual Report Compliance Statement

We hereby represent that Milli Re 2013 Annual Report issued for its 85th 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 Pension Companies" published in the Official Gazette issue 26606 dated 07 August 2007 by the Undersecretariat of Turkish Treasury.

26 February 2014

Şule SOYLU Group Manager	Kemal ÇUHACI Assistant General Manager	Hasan Hulki YALÇIN General Manager	Mahmut MAGEMIZOĞLU Chairman of the Board of Directors

Annual Report – Compliance Opinion

To the Shareholders of Milli Reasürans Türk Anonim Şirketi:

We have audited the accuracy and the consistency of the financial information in the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company") with the audited financial statements as of 31 December 2013. The annual report is the responsibility of the Company's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on the compliance of financial information provided in the annual report with the audited financial statements and explanatory notes.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in "Communiqué on Individual Retirement Saving and Investment System" (Communiqué) issued on 7 August 2007 and 26606 numbered. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report prepared in accordance with the Communiqué is in compliance with the audited financial statements and explanatory notes of Milli Reasürans Türk Anonim Şirketi, in all material respects, as of 31 December 2013.

Istanbul,

29 April 2014

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Alper GÜVENÇ
Partner

Financial Rights Provided to the Members of the Governing Body and Senior Executives

The Company's Research & Development Activities

Financial Rights Provided to the Members of the Governing Body and Senior Executives

The Company's Board of Directors is composed of one Chairman, one Vice Chairman, and seven Board members. The Top Management comprises of one General Manager, three Assistant General Managers, and two Group Managers. The chart below presents the benefits provided to the Senior Executives in 2012 and 2013 for comparison.

(TL)	2012	2013
Benefits such as salary, premium, bonus, dividend etc.	4,067,644	4,527,575
Travel, accommodation, entertainment expenses, and means in kind and in cash	194,866	217,932

The Company's Research & Development Activities

- Developed under the archived documents management project for digitalization of the incoming documents for ensuring fast and reliable access, the archive software began to be used by the Pension and Health Fund Division in 2013.

- During 2013, the restructuring of the Company's IT processes continued within the frame of CobiT. The processes within this scope have been brought to completion and put into use. In 2014, the processes will be reviewed within the framework of governance, risk and compliance, and quantification and analysis will be undertaken.

- A detailed requirement analysis was initiated as the preliminary stage for the renewal of the reinsurance underwriting model used for the Company's reinsurance operations. The results of this analysis will be used as input for determining the scope and targets of the project planned to be launched in 2014.

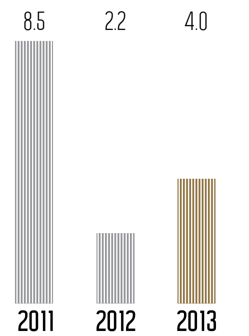
- Within the frame of the Contingency Management legislation, Business Impact Analyses are conducted, the Contingency Plan is updated, and trainings and drills are carried out every year. In this context, all of these activities have been performed in 2013. In relation to work processes and information systems, connection was established from the Company's servers in Bayraklı/İzmir to Suadiye Miltaş Sports Complex and a drill was carried out on 14 December 2013. The exercise confirmed that the servers specified in the Contingency Plan and the documents stored thereon are accessible as required by the workflows.

Company Activities and Major Developments in Activities

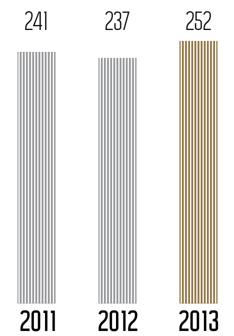
Turkish Economy and Outlook

In the first three quarters of 2013, the GDP went up by 4% year-on-year at constant prices.

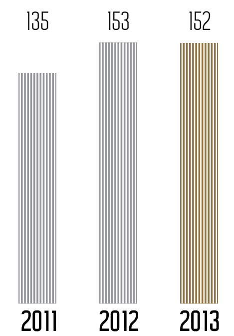
GDP Growth Rate - On the basis of Fixed rices (%)



Imports (USD billion)



Exports (USD billion)



Amid a challenging environment characterized by uncertainties of international origin and high volatilities, Turkey was able to maintain sustainable growth also in 2013 thanks to the domestic demand dynamics despite negative factors such as the rise in exchange and interest rates, failure to secure full recovery on the net exports side, and the insufficient increase in investments.

In the first three quarters of 2013, the GDP went up by 4% year-on-year at constant prices to TL 91,219 million. The GDP increased by 3%, 4.5% and 4.4% in the first, second and third quarters of 2013 respectively, on an annual basis. Having grown by 2.2% in 2012, national income showed 4.0% rise in 2013.

Drawn up in accordance with Turkey's targets for 2023 and ratified at the Turkish Parliament on 02 July 2013, the Tenth Development Plan (2014-2018) specified the drivers of growth attained in the first quarter of 2013 as the domestic demand that showed a revival tendency, public and private consumption, and public fixed capital investments. The plan presented a minus 1.8 point contribution from net exports to growth due to the accelerated imports, and forecasted that the positive contribution of final domestic demand to growth would persist in the second half of the year, as would the negative contribution from net exports to growth. Furthermore, industrial production is expected to preserve its upward trend, while growth would be lent a continued high level of contribution from the services industry. Consequently, growth for 2013 is estimated to be 3.6% based on the assumption that the impact of the volatility in financial indicators on real economy would be limited.

Current account deficit turned out to be a factor that increased the sensitivity of national economy to capital movements.

Although it was observed that the current account deficit had somewhat deteriorated due to the import demand that increased in conjunction with the revived domestic demand from the first quarter of 2013, gold trade played a big part in this deterioration. In the first eleven months of 2013 compared to same period of last year, the current account deficit expanded by USD 12,334 million to reach USD 55,962 million, and the current account deficit excluding non-monetary gold decreased by USD 3,535 million to USD 45,525 million.

Foreign trade deficit, on the other hand, registered USD 99.8 billion as at December 2013, and the ratio of exports to imports went down by 4.2 points to 60.3%. It is considered that the domestic demand and lending, which are expected to display a moderate rise in the period ahead, might limit the growth in imports. Moreover, signs of improvement related to the Euro Zone economic activity back the positive expectations about exports.

The Central Bank of the Republic of Turkey (CBRT) maintains its approach for keeping inflation indicators under control.

While the CPI increase for 2013 was 7.40%, 1.2 points above the prior year, there was a marked rise in the PPI, which went up by 6.97%. The depreciation in Turkish Lira in the second half of the year drove the core inflation indicators upwards by way of the core goods group in particular, and the annual rise that has surpassed the forecasts in food prices have been influential on inflation.

Volatilities occurred in capital flows towards emerging countries, as a result of increased uncertainties about the global economy due to the US Fed's announcements from May 2013 that it might cut back the liquidity supplied to the market under the quantitative easing program. These fluctuations in capital flows led to loss of value in the Turkish Lira, as was the case in many emerging countries' local currencies, and interest rates went up.

Based on the forecast that the inflation indicators would float above the target for some more time for this reason, the CBRT decided to consolidate its cautious stance for restricting the effects of this predicament on pricing behaviors, and to act so as to reduce the volatile course of money market interest rates.

The CPI increase for 2013 was 7.40%, 1.2 points above the prior year.

Turkey's long-term rating was upgraded to investment grade.

Along the line, the CBRT increased the upper cap on interest rate corridor and more frequently resorted to additional monetary tightening practices, thus relatively increasing the cost of the liquidity it supplied to the market. Having terminated one-month repo tenders, the CBRT kept the average interest on funding above 6.75%, and gave a signal of tightening, stating that the overnight interest rates on the interbank money market would converge on 7.75%, the ceiling of the interest rate corridor.

In the last quarter of 2013, the CBRT's cautious stance with respect to monetary policy, Fed's tapering, and domestic uncertainties significantly increased the interest rates in terms of all maturities.

In addition, the CBRT considered the market needs and held FX selling tenders in an effort to prevent the depreciation of the Turkish Lira.

Turkey's long-term rating was upgraded to investment grade.

On 16 May 2013, the international rating agency Moody's upgraded Turkey's government bond ratings by one notch from "Ba1" to "Baa3" and affirmed its outlook as "stable". Showing the improvement in the country's economic and public finance metrics as the grounds for its upgrade, Moody's expects that the structural reforms carried out will reduce existing vulnerabilities to shocks to international capital flows over time.

Forecasts

CBRT stated that it will preserve its cautious stance regarding the monetary policy until the inflation outlook is aligned with the medium-term targets in the year ahead. The CBRT forecasts that the contribution from domestic demand will be more balanced and the pressures upon inflation will be restricted amid an environment where liquidity policy is further tightened, capital flows persist with their weak course, and the adopted macro prudential measures prove to be effective.

Yet, in view of an outlook where increased uncertainty observed lately in Turkey will also be temporary, it is anticipated that the lagged effects of exchange rates on inflation will weaken from the middle of the year, and inflation will adopt a gradual downturn from the second half of the year.

The CBRT attaches great importance to make sure that the monetary policy implemented does not lead to undesired fluctuations in economic activity and does not negatively influence financial stability. Therefore, it is envisaged to realize the decline in inflation in a gradual manner and to span the achievement of the target over the course of eighteen months.

The main purpose of the Medium Term Program (MTP) that covers the period 2014-2016 of the Tenth Development Plan, which is aimed at vesting Turkey's growth performance in a higher, more stable and sustainable structure, is to minimize the effects of the uncertainty environment that plagues the global economy will have on our country, and to progressively reduce the current account deficit on one hand, while increasing growth on the other.

The priority areas the Medium Term Program will respond to include growing domestic savings, allocating existing resources to productive areas, increasing the productivity level of the economy, expanding employment, decreasing inflation, and maintaining the robust stance in public finance.

The macroeconomic framework of the Program has been designed keeping an eye on the fluctuations that began in international financial markets in May 2013, the anticipated developments in the global liquidity conditions, and the uncertainty environment stemming from the political events in neighboring countries. When setting the goals for the MTP period, it has been assumed that the global growth would go up gradually, whereas our partners in trade would display moderate growth, foreign capital inflow would lend sufficient contribution to financing of the growth, and partial improvement would occur in foreign trade rates.

For 2015 and 2016, the identified growth strategy is backed by investments directed towards productive areas, is rather financed by domestic savings, and is based on increased efficiency. While underlining the need to allocate the resources to more productive fields and to strengthen the industrialization process in keeping with the goal of increasing potential growth in the longer term, it is anticipated that the current account deficit will be reduced to sustainable levels by way of securing consistent efficiency and supporting a competitive production structure.

Sources: TurkSTAT, CBRT, T.R. Ministry of Economy, T.R. Ministry of Finance

The Central Bank of the Republic of Turkey stated that it will preserve its cautious stance regarding the monetary policy in the year ahead.

An Overview of the Turkish Insurance Industry in 2013

Based on the year-end 2013 figures released, the insurance industry produced nearly TL 24 billion in premium.

Based on the year-end 2013 figures released, the insurance industry produced nearly TL 24 billion in premium, up by 22% year-on-year. The industry not only captured a relatively higher growth rate than last year's 16%, but also attained improvement in real terms, which went up from 9% in 2012 to 14% in 2013.

This positive development is a result of the increase in premium in major branches that have significant shares within the total premium, such as Accident, Land Vehicles Liability, Fire and Natural Disasters, and Engineering Insurance.

There was no significant change in the premium composition of the industry compared to last year, which has been long going on with respect to Life and Non-Life segments. Non-Life Insurance branches have a high 86% share within total premium production, which is envisaged to remain unchanged in the medium and long-term ahead of us. Although Life Insurance policies, which aim to steer people to saving up but also involve an element of risk, captured a high growth rate of 25% in 2013 owing to the policies issued in conjunction with bank loans, people prefer the Private Pension System at a higher rate for their future plans due to certain tax incentives. This, naturally, keeps Life Insurance from developing sufficiently.

Another long-standing structural characteristic of Non-Life branches in the Turkish Insurance Industry is the fact that 75% of the premiums are produced by the top 10 companies. This characteristic is even more evident in Life branch, where approximately 85% of total premium is generated by the top 10 companies. Due to the challenging effect of capital adequacy requirements, coupled with the repressive effect of the constantly increasing difficulty of competing with large companies in pricing, this concentration will likely result in company acquisitions and mergers in the market in the short and medium term.

Due to the fact that the markets have reached certain saturation and present structures that are not able to accommodate to further expansion, large level of insurance companies operating in the Western developed countries began investing in emerging markets over the past decade. Similarly, Turkish insurance market was affected by these developments with contribution from the national economy that outgrew the worldwide average. While the outlook of the market did not show a significant change year-to-year in terms of the presence of foreign capital, current developments point that the existence of foreign capital in the market will progressively increase. It is estimated that the share of companies backed by foreign capital to total capital will be in the order of 73% as at year-end 2013.

Accident branch, where 90% of premium production is generated by Personal Accident policies, is positively affected by the rise in product sales, particularly in housing units and passenger cars, a great majority of which is financed through bank loans. The key driver behind the high 32% increase in premiums in this branch is the rise in premiums from Personal Accident policies issued in conjunction with bank loans. This growth in Personal Accident branch plays an important part in the expansion of premium in Life Insurance as well.

Fire and Natural Disasters Insurance was another branch in which the insurance industry achieved significant premium growth in 2013. The remarkable premium growth of approximately 26% in this branch originated from a more disciplined underwriting approach for risks insurers pursued as compared with the past; both in the pricing of risks and scope of coverage starting from the end of 2012, which has been the scene to excessive competition. Another contributing factor to this was increased regulatory arrangements introduced with the aim of increasing the penetration of Compulsory Earthquake Insurance policies for dwellings.

Referring to the combination of Engineering, Agriculture, Glass and Theft Insurance branches and constituted by Agriculture and Engineering Insurance premiums by 90%, General Damages branch registered a high 26% growth in premiums in 2013, while it constantly increases its share within total premium production on another front. Engineering Insurance is directly linked to the growth of the national economy, and engineering projects introduced in areas such as energy, infrastructure and transportation which can be listed as the key drivers of premium growth in this branch. Premium increase in Engineering Insurance was 34%. In addition, the composition of this branch showed a significant alteration, and while premiums on Construction and Erection segments made up 37% of total Engineering premiums in 2012, this ratio went up to nearly 42% in 2013.

Agriculture Insurance, which is another important sub-branch of the General Damages branch, attained significant developments in recent years on account of Agricultural Insurance Pool (TARSİM). Although the overall rise in premiums in this branch stood at 18%, high growth was achieved in Government Subsidized Greenhouse and Government Subsidized Crop sub-branches.

Fire and Natural Disasters Insurance achieved 26% premium growth in 2013.

General Liability Insurance was a branch that showed the significant development in 2013 with 21% growth.

Making up for nearly 22% of total premium production on Life and Non-Life Insurance and the largest branch in terms of premium production, Land Vehicles Liability Insurance bears the largest effect upon balance sheets of insurance companies. Not only the premium production grew by 37% and increased its share to total premium production, but also premium production per policy increased by approximately 32%.

General Liability Insurance was another branch that showed a remarkable development in 2013 with 21% growth. In this branch, 92% of premium production was from Third Party, Employer, Professional and Medical Malpractice Liability Insurance. Although premium increase in this branch was much higher than it was in 2012, it is an important consideration to be heeded by insurance companies that the premium charged per policy must be sufficient to cover the liabilities that may persist through many years. Otherwise, the industry will likely experience significant difficulties in this branch in the medium term.

Ranking second with respect to its share to total premium production, Land Vehicles Insurance was able to capture nearly 11% growth in 2013 over the 20% of 2012. The primary reason behind this development is the price-driven competitive conditions that grew fiercer in connection with the improved loss ratio. Hence, at 7.8%, premium increase per policy was almost flat with the rate of inflation.

The share of Marine in total premium production has been floating around 2% for the past three years, and year-to-year growth remains below average. This is a result of continued price-based competition in conjunction with the relatively low loss ratio in this branch, as well as of the high rates of increase attained in other branches that command large shares within total premiums.

The same applies to Health/Sickness Insurance with respect to premium growth rate. Although the share of the branch to total premium is around 10%, the increase in the past three years lags behind the average increase and dwindle further on a year-to-year basis. While it is an attractive branch for insurers due to cash flow, it is, however, a potentially problematic branch for insurance companies because of high loss ratios and commissions paid to agencies, unless effective measures are adopted.

Premium Income of the Market

Branches	2013 Premium Income (TL)	Share (%)	2012 Premium Income (TL)	Share (%)	Change (%)
Casualty	887,277,513	3.66	670,011,467	3.38	32.43
Health/Sickness	2,473,114,766	10.21	2,237,100,853	11.28	10.55
Land Vehicles	5,025,804,558	20.74	4,533,678,699	22.87	10.85
Railway Vehicles	5,286	0.00	256,342	0.00	(97.94)
Air Vehicles	41,755,849	0.17	49,384,012	0.25	(15.45)
Sea Vehicles	139,916,316	0.58	133,166,490	0.67	5.07
Transport	415,936,425	1.72	377,880,621	1.90	10.07
Fire and Natural Disasters	3,324,489,250	13.72	2,645,119,291	13.34	25.68
General Damages	2,186,115,156	9.02	1,741,950,686	8.79	25.50
Land Vehicles Liability	5,382,930,773	22.21	3,937,163,237	19.86	36.72
Air Vehicles Liability	69,721,106	0.29	78,766,956	0.40	(11.48)
Sea Vehicles Liability	1,675,496	0.01	438,040	0.00	282.50
Public Liability	508,124,765	2.10	419,997,806	2.12	20.98
Credit	106,601,433	0.44	74,468,868	0.38	43.15
Fidelity Guarantees	24,702,020	0.10	19,175,517	0.10	28.82
Financial Losses	171,417,052	0.71	135,549,791	0.68	26.46
Legal Protection	67,218,062	0.28	58,086,280	0.29	15.72
Support	7,482,251	0.03	3,739,251	0.02	100.10
Total Non-Life	**20,834,288,077**	**85.99**	**17,115,934,207**	**86.33**	**21.72**
Life	**3,395,327,657**	**14.01**	**2,710,826,393**	**13.67**	**25.25**
General Total	**24,229,615,734**	**100.00**	**19,826,760,600**	**100.00**	**22.21**

Source: Insurance Association of Turkey

An Overview of the Global Reinsurance Market in 2013

Insured losses from natural and man-made catastrophes in 2013 are estimated to be around USD 44 billion.

In 2013 global reinsurance capital has reached a record level as the result of fresh capital provided by non-traditional markets in the form of cat bonds, side-cars and ILWs. The consolidation going on throughout global markets, which have gained momentum in 2012 continued in 2013 with a number of large-scale merger and acquisition transactions, was also influential in this phenomenon. In accordance with estimates, capital from alternative markets currently totals around 15% of global property cat coverage, up from 8% in 2008, with pricing and coverage gradually converging with traditional terms.

In accordance with various sources, insured losses from natural and man-made catastrophes in 2013 are estimated to be around USD 44 billion, roughly USD 38 billion being generated by natural hazards, down from USD 81 billion and USD 75 billion in 2012. On the other hand, total loss of life increased from 14,000 to 25,000, as insured losses from events impacting territories with limited insurance penetration remained relatively low.

Combined with ample capacity from traditional and consistently growing alternative reinsurance markets and lower reinsurance demand, below 10 year average insured loss activity resulted with the continued softening in pricing throughout 2013. The year started with mostly flat rates at the 1 January property renewals, following Hurricane Sandy in October 2012 which brought some degree of discipline to pricing. In January, loss impacted US Wind programs were priced with around 10% increases, whereas rates for loss-free programs were flat to 5% down. International property rates were also stable to 5% down at January renewals. In April renewals, loss-free US property programs saw 5-10% rate reductions. Following the significant rate increases in Japan during 2012 renewals, rates for loss impacted property programs were flat to up by 10%, while loss-free Wind and Flood programs were flat to down by 2.5%. June and July renewals saw rate declines in the range of 15% to 25% for Florida property catastrophe programs due to the fact that Florida has not had a hurricane making landfall since Hurricane Wilma in 2005. Loss affected US property programs saw rate movements between 5% down and 5% up, whereas the rates for loss-free programs down by 10-20%.

Reinsurance Industry entered 2014 with over-capacity driven by abundance of capital coming from various sources, absence of market impacting loss activity, strengthened capital position reflecting below-average loss activity and consequently less demand from a large number of reinsurance buyers; all of which culminated into competitive pressures and softening across majority of business segments and territories.

At January 2014 renewals, property rate increases were restricted only to loss-affected lines and regions, with widespread reductions in loss-free programs and soft market conditions prevailing in most markets. Reinsurance has faced more pressure on pricing than primary business as the trend in primary rates has not fully been reflected to the reinsurance market due to abundance of capacity. Furthermore there was a growing tendency of cedants, especially larger reinsurance buyers, to retain more driven by their stronger capital levels. In addition to more competitive pricing there was also pressure on other terms and conditions; expansion of hours clauses, improved reinstatement provisions and expanded terrorism coverage were frequent examples. Aggregate and quota share covers and multi-year arrangements were also more commonly used.

International property cat renewals saw up to 15% rate reductions. Impact of oversupply was most evident in US where risk adjusted rate decreases in property business were up to 20%, even 25% in some cases.

There were rate declines across the market for loss-free programs in Australia and New Zealand as well, with the reduction in seismic activity in New Zealand resulting in increased appetite for New Zealand catastrophe risk.

Following Calgary and Toronto Floods in June and July and December Ice Storm, property cat rates in Canada increased by 5-10%.

European markets experienced considerable softening across all lines of business at January 2014 renewals due to the significant capacity available. Rates for property catastrophe and risk in many countries and loss-free Pan European programs fell by 10-15% on risk adjusted basis and by as much as 20% in some particular cases. Exception was Germany where the market was affected by June/July/August Hailstorms and June Floods. In Germany there were 10-25% increases in the rates for loss-impacted programs. However, loss-free programs were renewed with rate reductions. Although June 2013 floods impacted some Central European counties, apart from a few programs where lower layers were affected, Central and Eastern European markets also saw rate reductions at renewal. Russian market was impacted by a large engineering market loss in 2013 which resulted in increased cost of reinsurance for the affected companies.

Facing reduced demand from mature markets, many global companies have started to provide more capacity to meet increased demand from emerging markets. Consequently there was abundant capacity for Asia; though many reinsurers were reluctant to quote but waited for final terms. Apart from China where renewals were under the impact of SK Hynix Loss and Typhoon Fitow, rates showed reductions in line with the global trend and oversupply of capacity. As in Asia, Latin America also saw rate reductions differing by territory and program size.

General soft market conditions had limited impact in the Middle East and North Africa, where markets have their own dynamics and majority of treaties are on pro rata basis. However, there were reductions in event limits and restrictions on the cession of facultative risks under pro rata treaties remained intact in the Middle East. Major reinsurers either took initiatives to support start-up companies or generally compete more actively for market share. On the non-proportional side, rates declined around 10%.

Substantial alternative capacity from capital markets and benign loss activity particularly in US combined with reduced inwards reinsurance income, made retrocession market even more competitive than reinsurance. Price reductions on risk adjusted basis at varying degrees sometimes up to 20% or beyond, broadened coverage and heavy signings were not uncommon. There were a number of large private deals which further pressurized signings.

Current environment and expectation of further pressure on terms and conditions against tougher regulatory standards force market players to be more resourceful in discovering new opportunities and areas for growth.

At January 2014 renewals, soft market conditions prevailed in most markets.

Turkish Reinsurance Market and Milli Re in 2013

In 2013, Milli Re preserved its market share at the level of 26%.

As opposed to the previous year, there were no difficulties in 2014 renewals of the Proportional Surplus and Catastrophe Excess of Loss reinsurance treaties for the Turkish Insurance Industry. In reinsurance renewals of previous years, certain drivers such as oversupply in reinsurance capacities, adverse effects of the global economic crisis on markets, and the increased magnitude and frequency of catastrophe losses individually bore an impact on reinsurance markets. In 2014 renewals, however, a number of positive drivers including capacity surplus, low interest rates in financial markets and benign natural catastrophe activity during 2013 got together unprecedentedly, and this allowed 2014 reinsurance renewals to take place in a completely smooth atmosphere.

Reinsurance structures of insurance companies operating in the sector remained unchanged this year, as in last year; all insurers, with the exception of five, continued to obtain their reinsurance protection via proportional surplus treaties written on bouquet basis. As mentioned above, no difficulties arose in the placement of these contracts with increased appetite of reinsurers and many positive factors specific to the Turkish insurance market contributing to this result. From the end of 2012, insurance companies took important steps for improving their results through measures such as accurately pricing the risks particularly in Fire Insurance and in many other branches, tightening policy conditions, and taking action to improve risk quality. These developments have not been too influential in 2013 renewals, but they contributed significantly to insurance companies' placements in 2014 renewals. Milli Re participated in proportional surplus bouquets of 23 insurance companies, leading 17 of them. Thus, the Company preserved its market share at 26%, and provided support to the proportional reinsurance contracts of the local market.

No significant changes were observed in the estimated premiums ceded to proportional reinsurance agreements when compared with the previous year. The distribution of premiums ceded to proportional agreements for 2014 are as follows: 46% in Fire, 28% in Engineering, 12% in Non-Auto Accident, 9% in Marine (Cargo and Hull insurance) and 5% in Land Vehicles and Land Vehicles Liability. Distribution of premiums composition of Milli Re's reinsurance business, on the other hand, did not show a significant change apart from Land Vehicles and Land Vehicles Liability branch declining to 1% this year.

The Land Vehicles and Land Vehicles Liability Insurance which are subject to Milli Re's policy to terminate or minimize its participation in reinsurance agreements in connection with loss-yielding results, are ceded under the same agreement. In line with this strategy introduced in 2007, the share of these branches in Milli Re's proportional reinsurance agreements went down to 1%.

As mentioned before, as a result of the combination of numerous positive factors as a whole there was no problem with the placement of Catastrophe Excess of Loss programs which are purchased for protection against natural disasters such as earthquake and flood for retained risks under Fire and Engineering proportional reinsurance treaties and insurance companies achieved significant cost reductions as compared with the previous year. In addition, due to the significant depreciation of the Turkish Lira against foreign currencies such as Euro and US Dollar in connection with the developments in national economy, companies reduced the amounts of reinsurance protections obtained in Euro in respect of policies, majority of which are issued in Turkish Lira.

When determining the limit of Catastrophe Excess of Loss agreements, insurance companies usually take into consideration Zone 1 exposures. The exposure of Zone 1 that covers İstanbul decreased by 7% year-on-year due to the depreciated Turkish currency, and the total capacity of Catastrophe Excess of Loss agreements obtained by companies went down from EUR 4.5 billion to EUR 4 billion. In return for this coverage obtained, the premium paid by the market decreased from EUR 104 million to EUR 91 million. Milli Re's share in terms of the liability underwritten in Catastrophe Excess of Loss programs remained flat at last year's 10%.

The Company participates in the vast majority of proportional and non-proportional reinsurance agreements of companies, most of which are backed by foreign capital in the Turkish insurance market, and leads 17 of proportional reinsurance treaties. This validates our Company's know-how and experience on the local market, its robust financial structure, and its prestige in the face of international reinsurers.

Milli Re leads proportional reinsurance treaties of 17 companies.

Financial Strength Figures

Financial Ratios (%)	2009	2010	2011	2012	2013
1. Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	107	107	222	157	132
Shareholders' Equity/Total Assets	49	49	28	37	38
Shareholders' Equity/Net Technical Provisions	110	106	41	64	66
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	70	54	56	59	60
Liquidity Ratio	145	112	81	99	102
Current Ratio	169	139	103	117	119
Premium and Reinsurance Receivables/Total Assets	12	12	15	10	10
3. Operational Ratios					
Retention Ratio	92	90	91	90	86
Paid Claims/Paid Claims+Outstanding Claims	60	59	52	53	47
4. Profitability Ratios					
Gross Loss Ratio	85	74	96	70	69
Gross Expense Ratio	26	25	24	26	29
Gross Combined Ratio	111	99	120	96	98
Net Loss Ratio	81	79	103	76	78
Net Expense Ratio	28	27	26	28	33
Net Combined Ratio	109	106	129	104	111
Profit Before Tax/Gross Written Premiums	14	9	(15)	10	2
Gross Financial Profit/Gross Written Premiums	12	6	5	-	1
Technical Profit/Gross Written Premiums	2	3	(20)	10	1
Profit Before Tax/Average Total Assets	8	5	(9)	6	1
Profit Before Tax/Average Shareholders' Equity (Except Profit)	18	11	(22)	19	3

An Assessment of Financial Strength, Profitability and Solvency Margin

Milli Re generated TL 925 million premium in 2013, down by 10.25% year-on-year. Claims paid by the Company also decreased by TL 102 million and materialized as TL 619 million.

Details on technical results are presented in the section "Milli Re Technical Results in 2013".

The Company's Liquid Assets correspond to 60% of Total Assets. Owing to its strong asset structure composed of liquid assets, and the balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations without experiencing any financial difficulty.

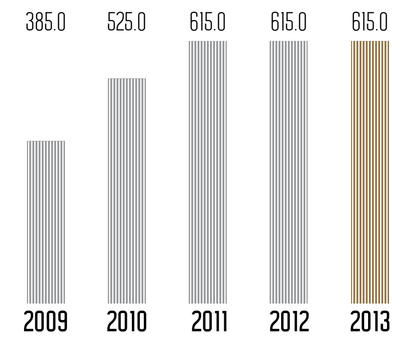
An Assessment of the Company Capital

The Company's capital adequacy is computed in accordance with the principles set out in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 27156 dated 01 March 2009. According to the calculation based on the principles specified by the Regulation, 2013 capital adequacy calculation yielded a surplus of TL 182.4 million.

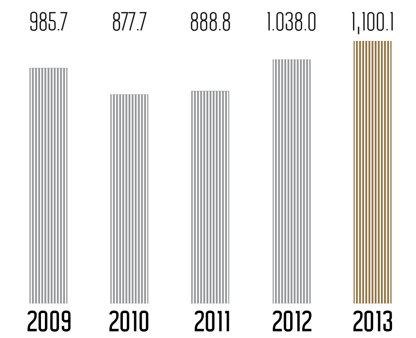
The Company possesses adequate shareholders' equity to cover any losses that might result from its existing liabilities and potential risks.

Capital Adequacy (TL million)	2012	2013
Required Capital	271.6	254.9
Available Capital	390.1	437.3
Capital Adequacy Result	118.5	182.4

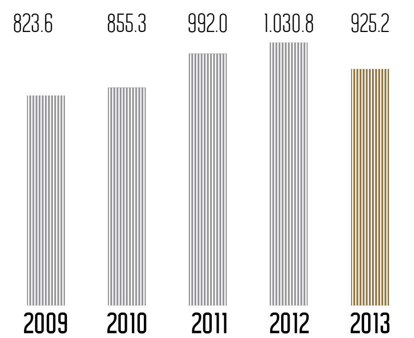
Paid-up Capital
(TL million)



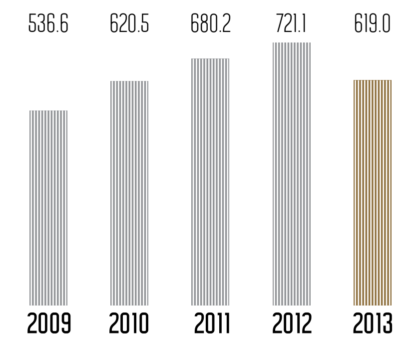
Liquid Assets
(TL million)



Premium Income
(TL million)



Paid Claims
(TL million)



Milli Re's 2013 capital adequacy calculation yielded a surplus of TL 182.4 million.

Milli Re Technical Results in 2013

In 2013, Milli Re's total premium production decreased by nearly 10% and went down to TL 925,151,498. As was the case in 2012, 76% of total premium was generated from local and 24% from international business. The primary reasons behind the reduction in premiums written from local business included the Company's policy to minimize its involvement in loss-yielding business such as Land Vehicles and Health/Sickness branches, cutting back its participation from 18% to 10% in the reinsurance treaty for Agricultural Insurance Pool (TARSİM), a major source of premium production, and accounting the business from Turkish Republic of Northern Cyprus under international portfolio for the first time in 2013. As regards to international business, softening in rates in reinsurance markets in 2013 and some cancelled agreements within the frame of the Company's technical profitability strategy have been influential on the reduction of premium income.

The Company booked TL 22,638,914 balance sheet profit in 2013. Although 2013 was a year that did not see major risk and natural catastrophe losses, the Company's profit in some branches contracted on a year-to-year basis. For instance, there was a year-on decrease in premium income on the Land Vehicles Liability branch and its technical provisions carried forward, while there was no reduction in the technical provisions established in 2013. This has created a negative impact of approximately TL 50 million on the technical results of this branch. Furthermore, while the Engineering branch showed some increase in premium income, the significant rise in technical provisions set aside and in reinsurance costs had a negative impact of nearly TL 22 million to the technical results of this branch.

Gross Premium Income and Breakdown of Branches (TL)

Branches	2012	Share (%)	2013	Share (%)	Change (%)
Casualty	20,232,092	2.00	22,937,900	2.53	13.37
Health/Sickness	49,617,380	4.92	24,283,988	2.69	(51.06)
Land Vehicles	69,215,017	6.85	16,693,706	1.85	(75.88)
Railway Vehicles					
Air Vehicles	547,007	0.05	914,270	0.10	67.14
Sea Vehicles	33,509,000	3.32	26,903,870	2.98	(19.71)
Transport	41,531,057	4.11	41,088,970	4.55	(1.06)
Fire and Natural Disasters	390,629,537	38.65	420,382,014	46.53	7.62
General Damages	300,549,820	29.75	269,552,559	29.84	(10.31)
Land Vehicles Liability	60,708,247	6.01	32,664,040	3.62	(46.20)
Air Vehicles Liability					
Sea Vehicles Liability	108,210	0.01	71,286	0.01	(34.12)
Public Liability	40,386,247	4.00	44,643,344	4.94	10.54
Credit	201,612	0.02	103,791	0.01	(48.52)
Fidelity Guarantees	1,320,041	0.13	484,452	0.05	(63.30)
Financial Losses	1,582,337	0.16	2,600,254	0.29	64.33
Legal Protection	155,754	0.02	83,403	0.01	(46.45)
Total Non-Life	1,010,293,358	100.00	903,407,847	100.00	(10.58)
Total Non-Life	**1,010,293,358**	**98.01**	**903,407,847**	**97.65**	**(10.58)**
Life	**20,487,622**	**1.99**	**21,743,651**	**2.35**	**6.13**
General Total	**1,030,780,980**	**100.00**	**925,151,498**	**100.00**	**(10.25)**

Milli Re Technical Results in 2013

Premium Income (TL million)

Premium Income (TL)

Branches	2009	2010	2011	2012	2013
Casualty	11,985,669	13,648,776	16,325,714	20,232,092	22,937,900
Health/Sickness	83,743,457	104,084,845	70,708,153	49,617,380	24,283,988
Land Vehicles	139,977,605	140,302,173	137,304,815	69,215,017	16,693,706
Railway Vehicles					
Air Vehicles	394,792	1,146,179	692,224	547,007	914,270
Sea Vehicles	26,913,477	27,156,879	25,882,903	33,509,000	26,903,870
Transport	27,822,112	27,925,466	32,948,542	41,531,057	41,088,970
Fire and Natural Disasters	289,326,046	269,727,011	333,882,824	390,629,537	420,382,014
General Damages	131,490,270	158,393,566	244,702,151	300,549,820	269,552,559
Land Vehicles Liability	82,782,059	63,676,611	76,245,857	60,708,247	32,664,040
Air Vehicles Liability	16,290	2,432			
Sea Vehicles Liability	545	51,404	39,718	108,210	71,286
Public Liability	14,240,747	29,126,129	32,587,765	40,386,247	44,643,344
Credit	485,776	251,901	246,253	201,612	103,791
Fidelity Guarantees	40,835	649,775	1,132,124	1,320,041	484,452
Financial Losses	1,456,291	801,899	1,103,347	1,582,337	2,600,254
Legal Protection	732,177	549,685	755,797	155,754	83,403
Total Non-Life	**811,408,148**	**837,494,731**	**974,558,187**	**1,010,293,358**	**903,407,847**
Life	**12,214,317**	**17,808,180**	**17,434,891**	**20,487,622**	**21,743,651**
General Total	**823,622,465**	**855,302,911**	**991,993,078**	**1,030,780,980**	**925,151,498**

Milli Re Technical Results in 2013

Technical Profitability (TL)

Branches	2009	2010	2011	2012	2013
Casualty	436,633	7,466,168	(4,254,284)	(968,668)	1,641,447
Health/Sickness	(30,121,133)	(19,592,434)	(29,326,697)	6,424,875	3,409,797
Land Vehicles	(21,959,547)	(3,624,645)	(11,446,956)	(3,176,588)	(7,139,051)
Railway Vehicles					
Air Vehicles	(514,452)	1,125,881	(882,321)	1,290,563	714,229
Sea Vehicles	(3,227,693)	(4,799,521)	(1,102,633)	6,221,438	6,795,787
Transport	7,315,775	20,089,184	6,447,198	14,011,402	2,475,216
Fire and Natural Disasters	57,305,254	20,137,996	(48,749,986)	32,994,001	23,478,949
General Damages	(2,466,224)	(13,846,404)	(28,734,583)	27,479,708	2,823,727
Land Vehicles Liability	(788,893)	995,074	(82,507,452)	10,660,977	(34,975,758)
Air Vehicles Liability	18,167	9,861	227		(2,256)
Sea Vehicles Liability	25	(149,635)	143,824	(101,791)	66,778
Public Liability	5,067,369	11,053,886	1,271,840	3,345,969	5,708,723
Credit	359,660	254,483	2,794	(126,106)	(36,838)
Fidelity Guarantees	628	3,967	(529,943)	687,052	(124,846)
Financial Losses	687,629	1,459,981	401,592	(225,347)	935,782
Legal Protection	439,982	584,076	581,197	(184,522)	526,506
Total Non-Life	**12,553,180**	**21,167,918**	**(198,686,183)**	**98,332,963**	**6,298,192**
Life	**2,145,045**	**456,342**	**2,564,291**	**6,769,639**	**4,420,486**
General Total	**14,698,225**	**21,624,260**	**(196,121,892)**	**105,102,602**	**10,718,678**

Technical Profitability Ratios

(%)	2009	2010	2011	2012	2013
Gross					
Loss Ratio	85	74	96	70	69
Expense Ratio	26	25	24	26	29
Combined Ratio	111	99	120	96	98
Net					
Loss Ratio	81	79	103	76	78
Expense Ratio	28	27	26	28	33
Combined Ratio	109	106	129	104	111

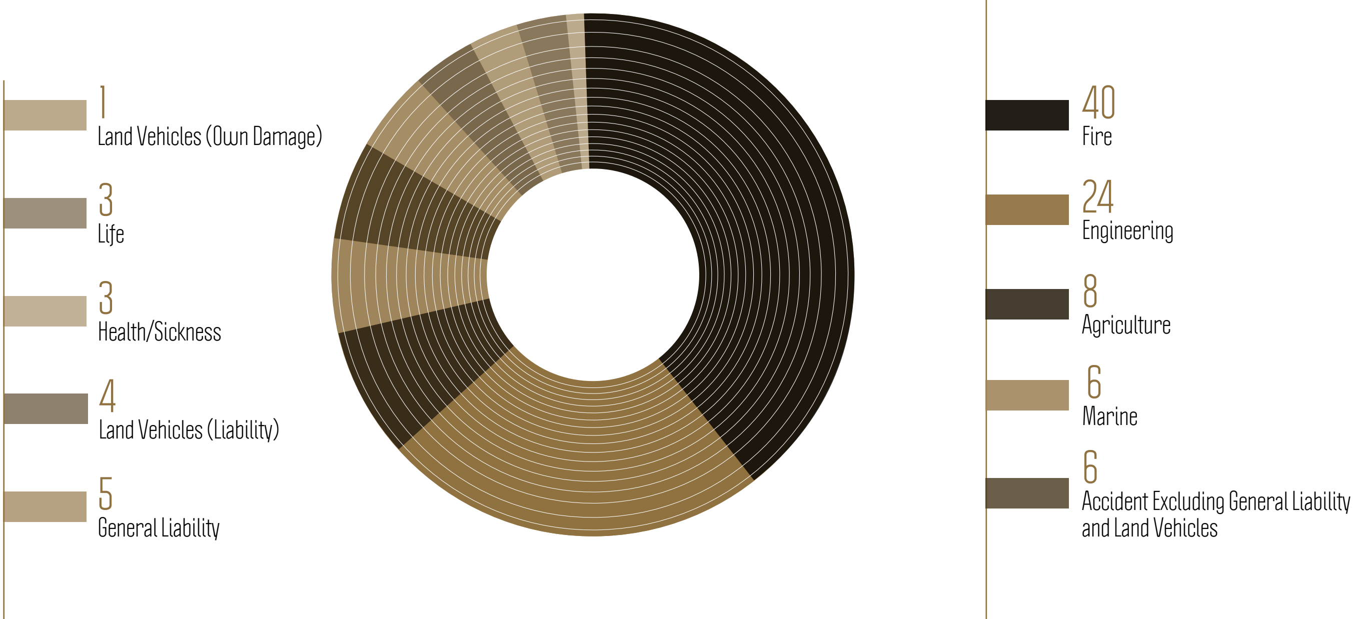
Local Portfolio

Local portfolio accounts for 76% of the total premium.

Although the Turkish insurance industry increased its premium production by 22% in Life and Non-Life branches in 2013, the amount of the Company's premium income from local business reduced by 10% year-on-year. This was due to the underwriting strategy of the Company, as well as the difference in composition of premium of the market and the Company by lines of business.

Having 53% share in total sector's premium, Land Vehicles, Land Vehicles Liability and Health/Sickness Insurance account for 8% of the Company's premium. Another factor affecting the premium income from the standpoint of our underwriting strategy is our share in the TARSİM Pool reinsurance treaty, which has an important place in the Company's domestic premium production and which was reduced from 18% to 10%. An additional factor that caused a decrease in our local premium income was the inclusion of business from the Turkish Republic of Northern Cyprus under international portfolio this year.

Breakdown of Local Premium by Branches (%)



Local Portfolio	2009	2010	2011	2012	2013
Premium (TL)	659,431,076	683,741,546	776,680,082	782,190,454	703,516,548
Share in Total Premium (%)	80.1	79.9	78.3	75.9	76.0

Local Portfolio

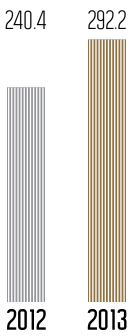
Fire

At 40%, premium income from fire branch has the highest share within local premium income, which was 31% last year. This stemmed from the reduced premium income from Land Vehicles, Land Vehicles Liability and Agriculture branches, due to underwriting measures, as well as from the increased premiums written in the Fire branch.

Technical profit in this branch hiked from TL 8.1 million to TL 17.8 million as a result of 22% expansion in premium income, coupled with improved loss ratio in conjunction with the absence of big risk losses and natural catastrophe.

The Company generated 69.1% of its total premium production in Fire branch from local business.

Premium Income (TL million)



Profitability Ratios in Fire (%)	2012	2013
Gross		
Loss Ratio	68	51
Expense Ratio	22	24
Combined Ratio	90	75
Net		
Loss Ratio	81	65
Expense Ratio	27	29
Combined Ratio	108	94
Technical Profit/Loss (TL mn)	**8.1**	**17.8**

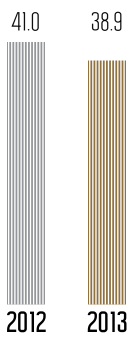
Marine

Consisting of Cargo and Hull insurance, Marine branch accounted for 6% of the Company's local premium income, not significantly different from the previous year's 5%. In fact, this branch has 3% share within Non-Life premiums produced by the overall insurance industry.

5% drop in premium income and the relative unfavorable movement in the net loss ratio caused the technical profit to shrink by 30% to TL 7.9 million.

57.2% of the Company's total premium production in this branch has been generated from local business.

Premium Income (TL million)



Profitability Ratios in Marine (%)	2012	2013
Gross		
Loss Ratio	52	53
Expense Ratio	29	30
Combined Ratio	81	83
Net		
Loss Ratio	53	56
Expense Ratio	31	32
Combined Ratio	84	88
Technical Profit/Loss (TL mn)	**11.3**	**7.9**

Engineering

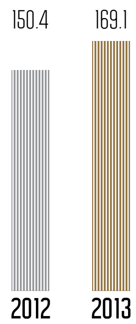
There was a significant 34% increase in premium production of the Engineering branch as a result of the growth in housing, infrastructure, energy and transportation projects.

The Company's premium production from local business went up by 12% to TL 169 million. The extent of growth failed to match that of the industry mainly because companies operate on the basis of higher retention ratios in the Machinery Breakdown and Electronic Equipment Insurance, due to lower sums insured which accounted for 58% of the premiums generated by the branch as compared with Construction and Erection Insurance.

Having posted a technical profit in the amount of TL 4.4 million in 2012, there was a technical loss of TL 18.3 million in 2013; the primary causes of this reversal mainly stems from the increased technical provisions and retrocession costs. Hence, the gross loss ratio was 65%, and net loss ratio was 86% due to the high protection costs. 91.9% of the Company's total premium production in this branch has been generated on local premiums.

Profitability Ratios in Engineering (%)	2012	2013
Gross		
Loss Ratio	63	65
Expense Ratio	25	27
Combined Ratio	88	92
Net		
Loss Ratio	82	86
Expense Ratio	32	35
Combined Ratio	114	121
Technical Profit/Loss (TL mn)	**4.4**	**(18.3)**

Premium Income (TL million)



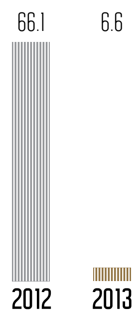
Land Vehicles (Own Damage)

Land Vehicles (Own Damage) Insurance is subject to the Company's strategy of minimizing its involvement in reinsurance treaties due to the historical loss-yielding results. The share of this branch in total local premiums was 17% in 2011, 8% in 2012 and 1% in 2013. While premium production in this branch amounted to TL 66 million in 2012, it was TL 6.6 million in 2013. However, business written from the Turkish Republic of Northern Cyprus market that was included under local portfolios previously, was accounted under international portfolio in the reporting period, which also had some impact on the decline in local premiums.

The expense ratio hiked from 27% to 118% as shown in the profitability ratios chart. This is a result of the deferred commission that was recognized in the accounts this year, which was computed according to the premium amount of TL 66 million last year. Deferred commission that was carried forward pushed the expense ratio up to 118% due to the very low premium figure of TL 6.6 million this year. The share of local business in the Company's total premium production for this branch went down to 39.5% in 2013 from 95.5% in 2012.

Profitability Ratios in Land Vehicles (Own Damage) (%)	2012	2013
Gross		
Loss Ratio	87	95
Expense Ratio	27	118
Combined Ratio	114	213
Net		
Loss Ratio	88	95
Expense Ratio	27	118
Combined Ratio	115	213
Technical Profit/Loss (TL mn)	**(6.1)**	**(6.3)**

Premium Income (TL million)



Land Vehicles Liability

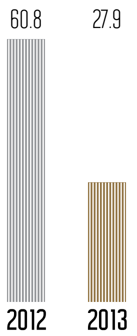
Local Portfolio

As Land Vehicles (Own Damage) Insurance and Land Vehicles Liability Insurance are covered under the same reinsurance treaty, the Company minimized its involvement also in the reinsurance treaties of this branch and its share in total local premium production gradually decreased over the years: 10% in 2011, 8% in 2012, and 4% in 2013.

Premium production from this branch contracted by 54% year-on-year and stood at approximately TL 28 million. Although the Company posted TL 10 million technical profit in 2012 due to the release of high technical provisions that were set aside in 2011 and carried forward to 2012, it wrote a loss of TL 37 million in 2013 due to the outstanding claims that remained unchanged in spite of the claims paid.

While the share of local business in Company's total premium was 100% last year, it was 85.3% this year since the business from the Turkish Republic of Northern Cyprus market was included under international portfolio in this branch, as is the case in the Land Vehicles Own Damage Insurance.

Premium Income (TL million)



Profitability Ratios in Land Vehicles Liability (%)	2012	2013
Gross		
Loss Ratio	104	172
Expense Ratio	22	18
Combined Ratio	126	190
Net		
Loss Ratio	105	172
Expense Ratio	22	18
Combined Ratio	127	190
Technical Profit/Loss (TL mn)	**10.0**	**(36.6)**

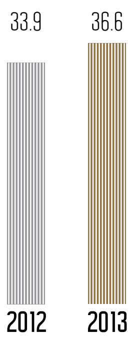
General Liability

All Liability branches apart from Land Vehicles Liability Insurance are grouped under the General Liability branch, which corresponded to 5% of the local business in 2013, up from 4% in 2012.

The same is true for premium, as well; premium amount went up by 8% to reach nearly TL 37 million, and the Company posted a technical profit of TL 5 million due to the significantly improved loss ratio as compared with the previous year.

The share of premium generated from local business in this branch was 81.9%, which did not present a significant change over the previous year's 84%.

Premium Income (TL million)



Profitability Ratios in General Liability (%)	2012	2013
Gross		
Loss Ratio	103	73
Expense Ratio	30	33
Combined Ratio	133	106
Net		
Loss Ratio	103	69
Expense Ratio	30	33
Combined Ratio	133	102
Technical Profit/Loss (TL mn)	**(0.3)**	**5.0**

Accident Excluding General Liability and Land Vehicles

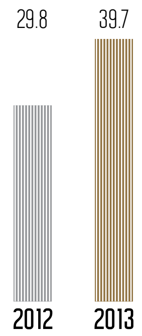
In the Insurance industry, 90% of premium production in the Accident Insurance is generated by Personal Accident and 9% by Compulsory Personal Accident Insurance for Buses. The Company's premium production from local business in this branch showed 33% increase year-on-year and materialized around TL 40 million, whereas its share in total local premiums went up to 6% in 2013 from 4% in the year before.

Despite the high increase in premiums in overall terms, a negligible loss was posted in 2013 as opposed to the high technical profitability of 2012 due to the increased losses of Compulsory Personal Accident Insurance for Buses.

The share of local portfolio within the Company's total premium production in this branch went up to 75.2% in 2013 from 63.2% in 2012. This is also a result of the decline in international business.

Profitability Ratios in Accident Excluding General Liability and Land Vehicles (%)	2012	2013
Gross		
Loss Ratio	42	76
Expense Ratio	27	34
Combined Ratio	69	110
Net		
Loss Ratio	42	76
Expense Ratio	27	34
Combined Ratio	69	110
Technical Profit/Loss (TL mn)	**11.8**	**(0.4)**

Premium Income (TL million)



Agriculture

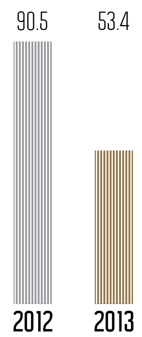
A substantial portion of the Company's premium production in this branch originates from our participation in the reinsurance treaty that provides coverage for the Agricultural Insurance Pool (TARSİM). As a result of the Company's reduction of its share in TARSİM reinsurance treaty from 18% to 10% in keeping with its underwriting principles, premium production was down by 41% to TL 53 million, and its share in total local premiums decreased to 8% in 2013 from 12% in 2012.

The year-on increase in the technical profit registered in this branch stemmed from the fact that technical provisions that were set aside on the basis of 18% involvement last year was carried forward to the current year.

Local portfolio made up 93% of the Company's premium production in this branch. The rise in the share of local portfolio from 81.8% to 93.4% on a year-to-year basis despite the reduced share of involvement in TARSİM reinsurance treaty resulted from the decrease of the premium generated from international portfolio from TL 20 million to TL 4 million.

Profitability Ratios in Agriculture (%)	2012	2013
Gross		
Loss Ratio	68	37
Expense Ratio	34	38
Combined Ratio	102	75
Net		
Loss Ratio	67	37
Expense Ratio	34	38
Combined Ratio	101	75
Technical Profit/Loss (TL mn)	**11.6**	**21.6**

Premium Income (TL million)



Health/Sickness

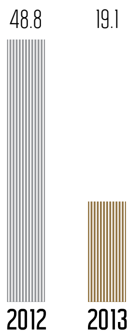
Local Portfolio

In Health/Sickness Insurance, the Company pursues the policy of withdrawing from, or minimizing its involvement in, reinsurance treaties because of the loss-yielding results, and the Company's premium income from this branch decreases over the years. While the share of Health/Sickness in total local premium income was 9% in 2011 and 6% in 2012, it went down to 3% in 2013.

During 2013, premium production in this branch contracted by 61% to TL 19 million. The rise in the expense ratio, on the other hand, arose from the Investment Costs Transferred to Technical Accounts item, which is distributed to branches according to premium income for the last three years and which remained high in conjunction with the considerable 61% decline in premiums.

While local business accounted for 98.3% of the Company's total premium production in this branch in 2012, it went down to 78.7% in 2013 as a result of the significant growth in premiums generated by international portfolio.

Premium Income (TL million)



Profitability Ratios in Health/Sickness (%)	2012	2013
Gross		
Loss Ratio	87	78
Expense Ratio	3	7
Combined Ratio	90	85
Net		
Loss Ratio	87	78
Expense Ratio	3	7
Combined Ratio	90	85
Technical Profit/Loss (TL mn)	**8,5**	**3,3**

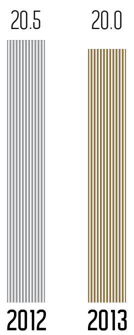
Life

Mainly consisting of risk-weighted products that provide death cover for critical illness, unemployment, and accidental disability or disability resulting from sickness in connection with personal loans, Life branch produced TL 20 million premiums in 2013. Due to high retentions of ceding companies, being above 90%, the increase in the industry's premium production did not reflect to the Company's Life Insurance portfolio and the share of this branch to local premiums stays around 3%. There was a slight decrease in premiums due to the fact that Life business written from the Turkish Republic of Northern Cyprus was included in the international portfolio starting from 2013.

With the effect of the increased Provisions for Outstanding Claims and Commissions Paid, the technical profit of this branch decreased year-to-year and stood at TL 4.2 million.

91.8% of the Company's total premium production in this branch was produced by local portfolio.

Premium Income (TL million)



Profitability Ratios in Life (%)	2012	2013
Gross		
Loss Ratio	33	39
Expense Ratio	40	45
Combined Ratio	73	84
Net		
Loss Ratio	32	35
Expense Ratio	41	48
Combined Ratio	73	83
Technical Profit/Loss (TL mn)	**6.8**	**4.2**

International Portfolio

Milli Re started playing more active role in the international reinsurance markets.

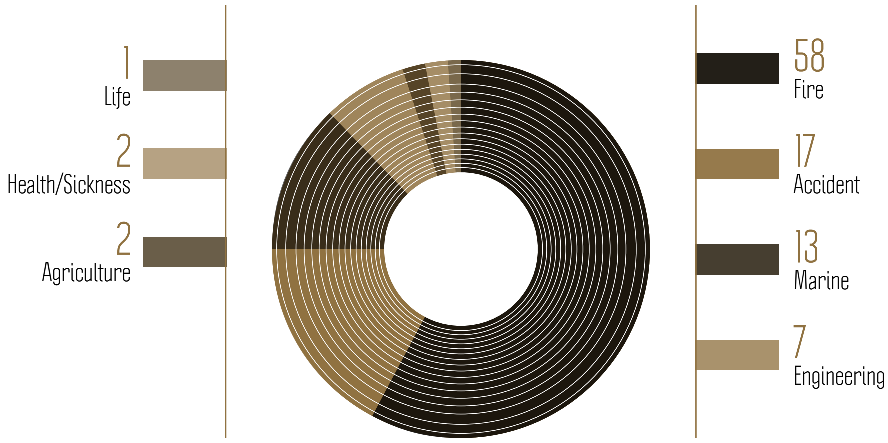
Milli Re started playing an even more active role in the international reinsurance markets, particularly since 2006, with the purpose of maintaining the existing premium volume and improving technical profitability through diversification of its portfolio.

A significant portion of the developing international portfolio is made up of business from African and Asian countries, which fall under the scope of the FAIR Reinsurance Pool that has been managed by Milli Re since its establishment in 1974.

In addition to this, Milli Re has further enhanced the diversification and geographical expansion of the international portfolio by providing conventional reinsurance capacity as well as capital contribution to select Continental European and Lloyd's market players, which already participate in the retrocession programs of the Company. Similarly, Milli Re Singapore Branch, which started writing business in 2008, continues to work efficiently in the Far East, a region that presents significant potential.

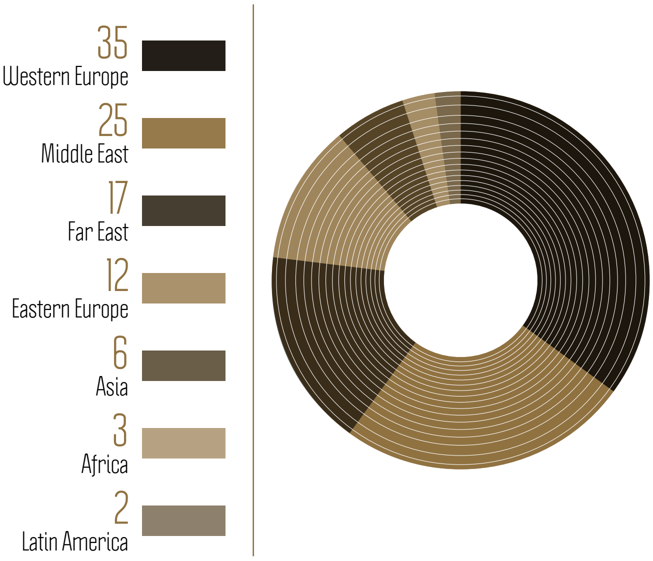
Overseas businesses underwritten by Milli Re are categorized under five main groups:
- Business from emerging markets (General Acceptances)
- Business from developed markets (Special Acceptances)
- Singapore Branch business
- FAIR/ECO/TRP business
- Business from Turkish Republic of Northern Cyprus (TRNC)

Breakdown of Premiums of International Portfolio by Branches (%)

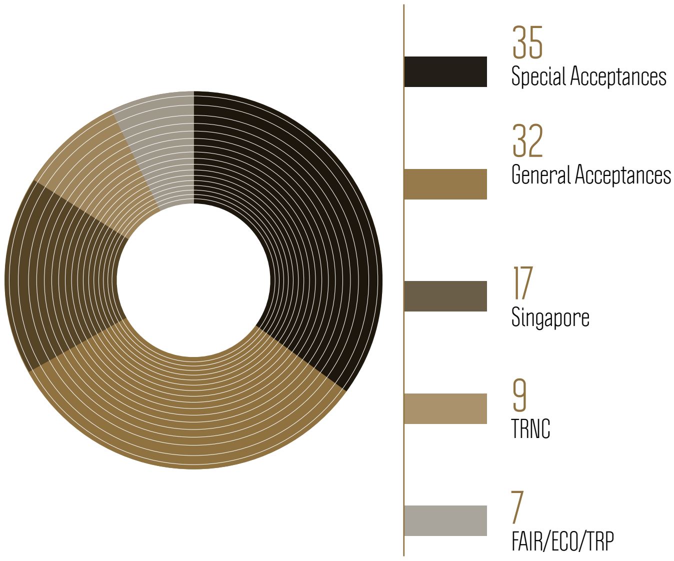


International Portfolio	2009	2010	2011	2012	2013
Premium (TL)	164,191,389	171,561,365	215,312,996	248,590,527	221,634,950
Share in Total Premium (%)	19.9	20.1	21.7	24.1	24.0

Geographic Breakdown of International Portfolio by Locations of Ceding Companies (%)



Split of International Premium by Source of Production (%)



Business from Turkish Republic of Northern Cyprus (TRNC) is included in Eastern Europe.

Common characteristics of emerging markets and developments in these markets

Holding an important place within Milli Re's international portfolio, emerging markets share some common characteristics including rapid economic growth, increasing investments in infrastructure, low insurance penetration and density ratios, significant share non-life insurances have in the portfolios of companies, and excessive competition.

Major common characteristics on the reinsurance structures of these markets include low retention levels of insurance companies, widespread use of proportional reinsurance, and the constant growth in reinsurance capacity.

Some characteristics and developments concerning various emerging markets in 2013 are presented below:

Middle East: Although the pace of growth in the Middle East Region Non-Life Insurance lost momentum, it is estimated that premium expansion in 2013 will surpass the worldwide average. The lower growth as compared with the previous years is mainly caused by local political developments and uncertainties, coupled with the stagnant global economy. However, with Qatar hosting the 2022 FIFA World Cup and the UAE World Expo 2020, the region will be revived through major projects particularly in infrastructure, tourism and transportation fields, which will positively reflect also on the insurance industry.

Profitability of companies is negatively affected by the prices that remain below the technical level as a result of competition. Widely used in the region, proportional treaties, in particular, fail to produce premium levels that will support the large capacities made available by reinsurers due to technically inappropriate prices; therefore, even medium-scale risk losses can easily impact the performance of the entire treaty negatively.

Moreover, insufficient technical pricing makes it almost impossible to place numerous risks in international markets through facultative reinsurance, and as a result, the need has to be fulfilled from within the region. However, companies' ceding such businesses to proportional treaties by way of facultative reinsurance or coinsurance puts the reinsurers under multiple liability, which they can realize only upon occurrence of a loss.

The Indian insurance market posted profit in 2013 generated mainly from investment income.

The increased number of this type of losses especially in recent years, and significant amounts paid in claims by numerous reinsurers on account of both proportional and facultative treaties have directed reinsurers to seek other alternatives. Consequently, significant restrictions have been imposed on such cessions for January 2014 renewals. These restrictions are anticipated to drive the technical prices up in the years ahead, while also increasing the performances of reinsurance treaties.

Reinsurers that have been long active in the region, which does not have any problem in terms of reinsurance capacity, began pursuing increased shares in the treaties of their target companies, and others that have recently become operational adhered to aggressive strategies to become involved especially in the treaties of the newly-established companies. Regional reinsurers, however, seemed to refrain from competing in proportional treaties and concentrated rather on non-proportional treaties without catastrophe coverage. Also noteworthy were the reduced event limits in some proportional contracts and increased retentions of companies.

Indian Peninsula: Making up nearly 80% of total premium production in India, Life branch failed to achieve a remarkable growth in premium in the past two years. On the other hand, although growth of Non-Life branches lost pace in parallel with the slowdown in the country's economy, a growth rate of 19% was captured in 2013.

Indian insurance market posted profit in 2013, generated mainly from investment income. Although the combined ratio of the Non-Life sector went down from 123% in 2012 to 115% in 2013, the sector wrote technical loss in yet another year.

Reinsurers did not show an increased interest in proportional contracts in the April 2013 renewal period; so much so that, proportional Marine contracts of state-owned companies in particular became unacceptable to reinsurers, due to the negative performance the former has been displaying for many years. For this reason, these contracts were changed into non-proportional contracts that protect the entire Marine portfolio of ceding companies. There was, however, an increased interest by reinsurers in unconventional branches such as Liability.

It has been observed that the event limit practice in proportional Fire and Engineering contracts and restrictions imposed on contracts after Thailand Flood Losses concerning business interruption and interests abroad were ongoing. Price increases are expected in the April 2014 renewals ahead of us, in connection with the Uttarakhand flood and Phailin cyclone of 2013 that caused respective insured losses of USD 250 million and USD 460-550 million. Furthermore, reduction of compulsory cessions to "GIC of India (General Insurance Corporation of India)", the country's only local reinsurer, to 5% from 10% is regarded as an opportunity for reinsurers seeking to penetrate the Indian market.

2013 was politically a more stable year in North Africa.

North Africa: The changes that the uprising events of early 2011 have caused in the insurance and reinsurance markets are currently ongoing. Yet, it can be suggested that 2013 was politically a more stable year.

50% compulsory reinsurance cession, still an ongoing practice in Algeria, continues to bear a negative impact on the portfolios of non-national reinsurance companies in this country.

There were no significant changes in the terms of profitable proportional contracts other than few point increases in commissions. Yet, restrictions imposed on facultative businesses through the conditions of proportional contracts in previous years apparently caused a rise in the facultative capacity need. In loss-free risk contracts and catastrophe programs, on the other hand, prices decreased by 10% and 5%, respectively.

Eastern Europe/Russia: Eastern European markets did not experience any significant losses in 2013. Therefore, catastrophe rates decreased by up to 10%. Risk rates, on the other hand, showed decreases in the range of 10%-20% in loss-free programs. Importantly, even risk programs that sustained losses saw rates decrease -although slightly- owing to positive market conditions.

At the time of January 2014 renewals, the demand for international reinsurance capacity slumped by nearly EUR 700 million in the region. A key reason behind this phenomenon is the greater amount of capacity supplied by group reinsurers to in-group insurers.

Another reason is the revision made to the law that went into force in August 2013 in Romania in relation to compulsory natural disaster insurance. Accordingly, the authority of the insurers in Romania to issue nat cat policies up to a certain limit for housing units was handed over the PAID (Natural Disaster Insurance Pool). Although this has increased PAID's reinsurance need, it has caused a decline in the need for countrywide catastrophe coverage. Yet, although the said insurance is compulsory, a significant change is not expected in the take up rate in the short term due to absence of penal sanctions.

The Russian market sustained the biggest loss of its history in 2013. With the loss survey currently in progress, the "Zagorskaya" engineering loss has impacted a number of companies in Russia. Nevertheless, satisfactory rate increases did not occur in programs that have been affected by this loss, and low rates, which are a common characteristic of the reinsurance market, persisted despite this major claim.

Far East: : 2013 saw a number of record setting catastrophe events, which continue to expose the severity of the low insurance penetration rate in the region. It was a year of losses from typhoon and flood.

Typhoon Fitow in October looks to be second most expensive insured loss ever to hit China with an estimated insurance loss of about USD 1.1 billion. Economic loss is reported to be in excess of USD 10 billion. The storm flattened houses, flooded villages and farms, and affected 7 million people in 11 cities in Zhejiang alone.

Typhoon Haiyan (Yolanda) in November has been reported to be probably the strongest typhoon recorded to make landfall. It caused large scale devastation in the Central Philippines with sustained wind speed of 315 km/h and storm surge of 5 meters affecting 13 million people with 7,000 deaths. More than 700,000 buildings were damaged along with most of the region's infrastructure, and the city's airport suffered a total loss.

Economic loss is estimated to be between USD 10 billion and USD 15 billion while insured loss is expected to be well below USD 1 billion. In 2012 December, category 5 Typhoon Bopha struck the Philippines causing the 1400 dead or missing. While economic loss is estimated at about USD 1.5 billion, the insured loss is expected to be substantially small at only USD 80 million. These consecutive years' event underlines the low insurance penetration rate in the country.

Jakarta experienced severe flooding in early 2013 resulting in water levels of up to 2 meters on the streets. Economic loss is estimated to be USD 3 billion while insured loss is expected to be around USD 300 million only.

The region's low insurance penetration may translate to opportunities for the insurance players but it is uncertain when this will materialize. Without clear governmental plans, minimum catastrophe insurance regulations and poor quality of data, these uncertainties can turn potential opportunities into pitfalls for players to suffer from outsized catastrophe losses in relation to their market premium.

We continue to see new players entering the region and some with substantial premium appetite. This is an area of concern especially in the current soft market cycle.

2013 was a year of losses from typhoon and flood for Far East.

Fire

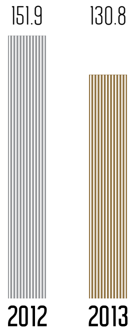
International Portfolio

Fire premium of the international portfolio went down by 13.9% year-on to TL 130.8 million in 2013, as a result of the negative effect of the competitive pressure the surplus capacity and over placement in developed markets exerted on the rates. Other contributing factors included the impact of share reductions or cancellations in existing contracts under the pruning measures on emerging markets portfolio, and the effects of the cancelled businesses in various markets. 58%, a major part of the international premium production is generated from the Fire branch.

2012 and 2013 have been calm with respect to catastrophe losses and this has reflected positively on the developed markets portfolio; with payments for prior year claims set off from the Equalization Reserve, coupled with the positive effects of other income items, technical profit was booked on this portfolio. However, increase in outstanding loss reserves arising from medium and large losses that took place in 2013 in emerging markets, combined with the declined premium income and the negative effects of foreign exchange movements, have led the technical profit on international Fire portfolio to stand at TL 6.6 million.

The Company generated 30.9% of its total Fire premium from international portfolio.

Premium Income (TL million)



Profitability Ratios in Fire (%)	2012	2013
Gross		
Loss Ratio	61	90
Expense Ratio	28	30
Combined Ratio	89	120
Net		
Loss Ratio	64	99
Expense Ratio	31	35
Combined Ratio	95	134
Technical Profit/Loss (TL mn)	**24.7**	**6.6**

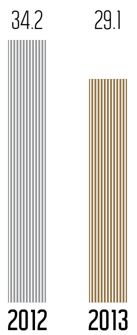
Marine

Due to businesses cancelled in line with the portfolio improvement initiatives and lagging in the accounts of some ceding companies, the Company's premium production in Marine branch of the international portfolio slimmed down by 14.9% to TL 29.1 million.

A technical profit of TL 1.4 million was booked in 2013, as a result of the year-on rise in outstanding claims and decreased premium income.

42.8% of the Company's total Marine premium was generated from international business.

Premium Income (TL million)



Profitability Ratios in Marine (%)	2012	2013
Gross		
Loss Ratio	52	77
Expense Ratio	27	32
Combined Ratio	79	109
Net		
Loss Ratio	53	76
Expense Ratio	28	34
Combined Ratio	81	110
Technical Profit/Loss (TL mn)	**8.8**	**1.4**

Engineering

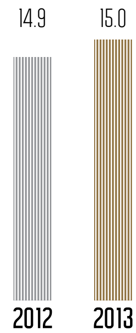
There was no significant change in the premium production of the Engineering branch from the international book. Premium in this branch reached TL 15 million as at year-end 2013.

While the branch did not display an important development in premium production in 2013, the respective increases of 11.8% and 36.7% in paid and outstanding claims have driven up the net loss ratio to 69%. In turn, technical profit of TL 6.7 million in 2012 reduced to TL 1.4 million in 2013.

International business accounts for 8.1% of the Company's total premium production in the Engineering branch.

Profitability Ratios in Engineering (%)	2012	2013
Gross		
Loss Ratio	27	67
Expense Ratio	41	40
Combined Ratio	68	107
Net		
Loss Ratio	27	69
Expense Ratio	41	41
Combined Ratio	68	110
Technical Profit/Loss (TL mn)	**6.7**	**1.4**

Premium Income (TL million)



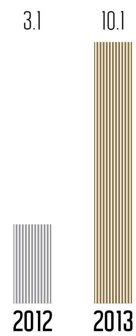
Land Vehicles (Own Damage)

Premium production of Land Vehicles (Own Damage) on international book expanded by 225.8% and reached TL 10.1 million in 2013. This increase was due to the booking of the business from the Turkish Republic of Northern Cyprus, which was accounted for within local premiums previously year, under international portfolio starting from 2013. In addition, because of the contracted local premiums in this branch due to the Company's policy to minimize its share in reinsurance contracts from local loss-yielding branches over time, the share of the international portfolio to the Company's total premium production in the Land Vehicles (Own Damage) branch increased from 4.5% in 2012 to 60.5% in 2013.

As a result of the increase in outstanding losses in 2013, a negligible technical loss of TL 0.8 million was written in this branch.

Profitability Ratios in Land Vehicles (Own Damage) (%)	2012	2013
Gross		
Loss Ratio	2	92
Expense Ratio	38	22
Combined Ratio	40	114
Net		
Loss Ratio	2	92
Expense Ratio	38	22
Combined Ratio	40	114
Technical Profit/Loss (TL mn)	**2.9**	**(0.8)**

Premium Income (TL million)



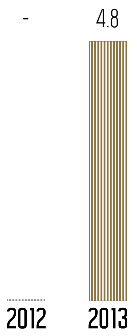
International Portfolio

Land Vehicles Liability

Shown under local premiums in the prior year, business from the Turkish Republic of Northern Cyprus was included under international portfolio accounts in 2013. As a consequence, there was a significant increase in the premium of this branch, which reached TL 4.8 million in 2013. Based on the positive performance of this branch, where premium entirely consisted of business from the Turkish Republic of Northern Cyprus, technical profit of TL 1.7 million was posted in 2013.

14.7% of the Company's total premium production on this branch consisted of international portfolio.

Premium Income (TL million)



Profitability Ratios in Land Vehicles Liability (%)	2012	2013
Gross		
Loss Ratio	-	50
Expense Ratio	-	31
Combined Ratio	-	81
Net		
Loss Ratio	-	50
Expense Ratio	-	31
Combined Ratio	-	81
Technical Profit/Loss (TL mn)	**-**	**1.7**

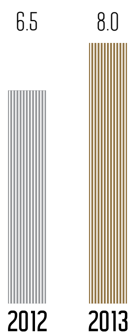
General Liability

International premium production in General Liability went up by 23% and reached TL 8 million as a result of increased participation in existing business and involvement in new contracts.

In line with the increases in paid and outstanding losses in 2013, net loss ratio increased to 75%, and in turn, the technical profit figure declined to TL 0.6 million.

The Company generated 18.1% of its total premium in General Liability from the international book.

Premium Income (TL million)



Profitability Ratios in General Liability (%)	2012	2013
Gross		
Loss Ratio	27	71
Expense Ratio	11	21
Combined Ratio	38	92
Net		
Loss Ratio	28	75
Expense Ratio	13	24
Combined Ratio	41	99
Technical Profit/Loss (TL mn)	**3.7**	**0.6**

Accident Excluding General Liability and Land Vehicles Own Damage

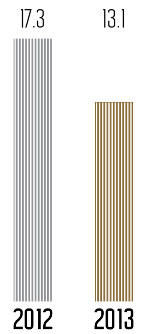
Due to the loss of premium that resulted from cancellation of poor performing contracts or share cuts in existing treaties, premium production in this branch decreased year-on and amounted to TL 13.1 million in 2013 year end.

Although claims paid decreased as a result of the above mentioned revisions made to the underwriting policy, decline in premiums was higher, resulting in the net loss ratio to go up to 81%. Technical profit in this branch, which was TL 0.2 million in 2012, stood at TL 0.5 million in 2013.

24.8% of the Company's total premium in this branch originated from international business.

Profitability Ratios in Accident Excluding General Liability and Land Vehicles Own Damage (%)	2012	2013
Gross		
Loss Ratio	72	86
Expense Ratio	29	41
Combined Ratio	101	127
Net		
Loss Ratio	74	81
Expense Ratio	30	40
Combined Ratio	104	121
Technical Profit/Loss (TL mn)	**0.2**	**0.5**

Premium Income (TL million)



Agriculture

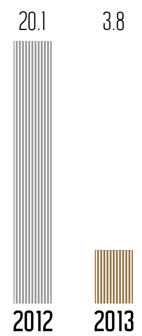
In connection with the expiration of various contracts in the Agriculture branch, premium production sustained a year-on decline and stood at TL 3.8 million in 2013. Although the amount of premiums went down, net loss ratio stood at 66% due to the reduction in paid losses, combined with the positive effect of Carried Forward Outstanding Losses and Unearned Premium Reserve.

In addition, Deferred Commission for Unearned Premium Reserve, which was recognized as an income item in 2012, was accounted for as an expense item in 2013, and the amount of premiums shrank significantly the same year, resulting in a considerable rise in the expense ratio, and caused the technical profit to stand at TL 0.8 million.

The Company derived 6.6% of its total Agriculture premium production from the international portfolio.

Profitability Ratios in Agriculture (%)	2012	2013
Gross		
Loss Ratio	104	65
Expense Ratio	28	107
Combined Ratio	132	172
Net		
Loss Ratio	101	66
Expense Ratio	28	121
Combined Ratio	129	187
Technical Profit/Loss (TL mn)	**(6.5)**	**0.8**

Premium Income (TL million)



International Portfolio

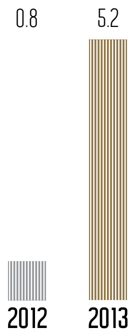
Health/Sickness

Portfolio improvement efforts in Health/Sickness branch was intended to drive the portfolio positively by benefiting from revised treaty structures and share cuts. In addition, the course of premiums and losses change from one year to the other due to lagging of some accounts.

In this branch, the Company registered premium of TL 5.2 million and in turn, wrote a technical profit of TL 0.1 million in 2013.

21.3% of the Company's total premium in Health/Sickness was generated from the international book.

Premium Income (TL million)



Profitability Ratios in Health/Sickness (%)	2012	2013
Gross		
Loss Ratio	235	100
Expense Ratio	39	12
Combined Ratio	274	112
Net		
Loss Ratio	235	100
Expense Ratio	39	12
Combined Ratio	274	112
Technical Profit/Loss (TL mn)	**(2.1)**	**0.1**

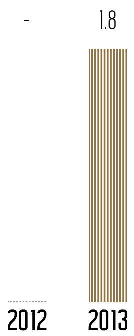
Life

Within the scope of international portfolio, the entirety of 2013 premium in Life branch was generated by business from the Turkish Republic of Northern Cyprus. Due to the fact that this portfolio was included under international in 2013, there are no premiums recorded in the prior year.

Having registered a premium production of TL 1.8 million in 2013, the branch was the source of TL 0.2 million in technical profit.

8.2% of the Company's Life premium production was derived on international business.

Premium Income (TL million)



Profitability Ratios in Life (%)	2012	2013
Gross		
Loss Ratio	-	30
Expense Ratio	-	56
Combined Ratio	-	86
Net		
Loss Ratio	-	30
Expense Ratio	-	56
Combined Ratio	-	86
Technical Profit/Loss (TL mn)	-	**0.2**

Internal Audit Practices

Internal audit is an independent and objective assurance and advisory activity, which is conducted with the aim of improving an organization's activities and adding value to them. Internal audit helps an organization achieve its goals by introducing a systematized and disciplined approach directed towards the objective of assessing and improving the organization's risk management, control and governance processes.

In this context, the primary duties of the Internal Audit Department include constant monitoring and auditing of all activities and transactions of the Company in terms of their compliance with, specifically, the related regulations, as well as the Company's internal guidelines, its management strategy and policies; and detection and prevention of any irregularities, mistakes, or fraud, and evaluation of the efficiency of internal control and risk management processes.

In conjunction with the above, an important aspect of the Internal Audit Department's duties is to provide opinions and suggestions for efficient and productive use of resources to improve and add value to the Company's activities.

Conclusions resulting from the audit are reported to the Board of Directors via the Board member responsible for Internal Systems.

In 2013, the Internal Audit Department has completed on-site inspection of all units of the Company by way of observation, interview and data analysis. The audit performed revealed no findings that might have an adverse impact on the Company's financial structure.

The Internal Audit Department actively works with the support of the management and in cooperation with the employees in line with its target of improving the Company's operations and adding value to them.

Internal Control Practices

Internal control system has an important role in ensuring the performance of the Company's operations, within the framework of efficiency, productivity, compliance and reliability principles.

The purpose of the Internal Control Policy is to ensure that the Company's assets are well protected; its activities are carried out efficiently and effectively and in adherence to the Company regulations and policies, and also to the general insurance practices. Reliability, consistency and integrity of accounting and financial reporting systems and prompt accessibility of the information within the organization are also aimed by the overall internal control scheme and associated policies. In conjunction with this overall purpose, internal control activities include the Company's core operational activities and any processes related to those operational activities, communication channels and information systems, financial reporting systems, and compliance controls.

In the performance of internal control activities, the "Control Center" has been structured through the establishment of the "Internal Control and Risk Management Department", while the "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 22 people, out of whom 3 are located in the Control Center and 19 are in the Control Environment.

Activities Conducted from the Control Center

Activities carried out from the Control Center are handled in compliance with the Company's relevant internal guidelines and the Turkish Treasury's applicable regulation. Changes in legislation are regularly monitored on a daily basis and swift action is taken in line with the mandatory provisions.

Implementation procedures, work flows and assignments in relation to activities, as well as documented authorities and limits are communicated to the entire personnel, which are continually reviewed and updated in keeping with the changing needs, risks and conditions.

User requests forwarded to the Help Desk and their solutions, changes made, and projects are monitored; their compliance to the abovementioned rules and regulations are analyzed, and the approval process is evaluated accordingly.

User actions logs, reports from the log manager application, and relevant records drawn from the database are checked instantly and daily, and alignment with the said procedures is reviewed systematically.

If a problem is detected during the control activities, then swift action is taken for implementing the necessary corrections and for preventing recurrence of the error.

Activities Conducted from the Control Environment

The internal control activities to be performed at the units are based on the risk and control points stated in the guidelines circulated to Company employees assigned with the execution of internal activities and the control points in flowcharts, while those to be performed at the IT Center are based on COBIT standards.

Control frequencies, which represent the implementation frequency of a business process, are categorized as "more than once daily", "daily", "weekly", "monthly", "quarterly" and "annually", while samplings thereof are based on 30 samples for a "more than once daily" frequency, 15 samples for a "daily" frequency, 10 samples for a "weekly" frequency, 5 samples for a "monthly" frequency, 2 samples for a "quarterly" frequency and 1 sample for an "annually" frequency.

Issues identified through the controls performed at units and reported to the Control Center via Risk Warning Reports within the frame of implementations under basic control areas for core reinsurance as well as other activities, technical and financial accounting, payments and expenses, financial statements and reports, information systems and compliance are first shared and evaluated with the individuals performing the relevant activities.

In this way, preemptive and complementary actions can be taken rapidly, and appropriate and feasible solutions to improve processes and activities can be introduced.

The evaluations that include the final opinions and suggestions of the Internal Control and Risk Management Department are reported to the General Manager on a monthly basis with the "Internal Control Report". The outcomes of internal control activities are also reviewed regularly by the Board of Directors.

Affiliates

Anadolu Anonim Türk Sigorta Şirketi

Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is Turkey's first national insurance company, which was established on 01 April 1925. As one of the sector's leaders in premium production, the Company succeeded in being the first Turkish insurance company to exceed the USD 1 billion mark in total premium production in 2007. Anadolu Sigorta holds ISO 9001:2000 Quality Management System certification, which endorses the world-class implementation of the quality management system it has adopted. Anadolu Sigorta is active in all non-Life insurance branches.

Our Company became the principal shareholder in Anadolu Sigorta with a shareholding of 57.31% in total, upon purchase of an additional 35.53% share in Anadolu Sigorta on 30 September 2010. The remaining 42.69% of the Company's shares are publicly-held.

Pursuant to the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008 and to the Turkish Accounting Standards 27, our Company consolidates the financial results of Anadolu Sigorta on a line-by-line basis since 30 September 2010.

www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis and basketball. The Complex has been hosting the International Insurance Tennis Tournament every June since 1986, providing a unique environment that brings together international reinsurers and brokers engaged in the Turkish insurance market with the insurers. In addition to tennis and basketball courses organized every year for various age groups, private tennis lessons are available for adults in the Complex.

Our Company owns 77% share in Miltaş Turizm İnşaat Ticaret A.Ş. Within the frame of the exception stipulated in the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008, Miltaş Turizm İnşaat Ticaret A.Ş., which is a subsidiary of the Company, is excluded from the scope of consolidation, due to the fact that the said subsidiary's total assets correspond to less than 1% of the Company's total assets.

www.miltasturizm.com.tr

Issues Related to the General Assembly

During 2013, all of the resolutions adopted by the General Assembly of Shareholders have been fulfilled, and the targets set in the prior period have been achieved.

Annual General Meeting Agenda

1. Opening and forming the Presiding Board,
2. Reading and deliberation of the 2013 Activity Report drawn up by the Board of Directors,
3. Reading the Statutory Auditors' report,
4. Reading, deliberation and approval of the Company's Financial Statements for 2013,
5. Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities,
6. Determination of the manner and date of distribution of profit,
7. Amending the Article 6 of the Articles of Association related to capital, as attached,
8. Election to the seats on the Board of Directors,
9. Election of Statutory Auditor,
10. Determination of the remuneration to be paid to the members of the Board of Directors,
11. Authorizing the Board Directors to perform the transactions set out in Articles 395 and 396 of the Turkish Commercial Code (TCC).

Report by the Board of Directors

Distinguished Shareholders,

We respectfully present for your Esteemed Assembly's perusal and approval the balance sheet, income statement, profit distribution chart, statement of changes in equity, and cash flow statement showing the results achieved in 2013 marking the Company's 85th year of operation, which are prepared in line with the provisions of applicable legislation and the principles and guidelines set by the Turkish Republic Prime Ministry Undersecretariat of Treasury.

It can be stated that the recovery started to be observed in global economy followed a mild course in 2013, but that improvement remained below the expectations in general. During the reporting period, economic growth failed to match its potential in the US, the leading developed country, whereas growth data did not attain consistency in other developed countries and particularly in EU economies despite sending out some signals of betterment. On the side of emerging countries, growth lost pace and financial vulnerabilities increased in connection with the fluctuations in capital movements.

In 2013, the national economy attained alignment with the changing and volatile global conjuncture, and in general terms, displayed a growth performance in parallel with the forecasts; however, inflation reached 7.40% at the end of the year, higher than the targeted rate. The above-the-target annual inflation rate was a result of the depreciated Turkish Lira, a consequence in line with the movements in local currencies of emerging countries due to the uncertainties plaguing the monetary policy on a global scale, and of increased food prices. Lately, economy administrators in our country adopted some measures concerning credit card limits, numbers of installments, and auto loans, in an effort to ensure a more balanced growth of domestic demand so as to limit inflationist pressures from the demand side; the impact of these measures on consumer loans will be seen starting next year.

In 2013, natural disasters that occurred in various parts of the world mostly arose from meteorological phenomena such as excessive precipitation and strong windstorms. Natural disasters during the year resulted in more than 25,000 fatalities and circa USD 130 billion in total direct economic loss, while the amount of loss that corresponded to the insurance industry was USD 40 billion. Although the number of natural disasters in 2013 is above the average of the past decade, the number of fatalities, direct economic loss and amounts of insured loss remained below the average figures for the past decade. The flood caused by excessive rainfall in Germany and neighboring countries in early June caused damages worth USD 15.2 billion in total, within which USD 3 billion was insured losses. Also, the hail storm again in Germany in July and August caused damages of USD 5.2 billion, USD 4.1 billion of which was assumed by the insurance industry. In November, the Philippines suffered from one of the severest national disasters in the country's history, and Typhoon Haiyan left more than 6,000 dead, millions of people homeless and caused material damages of more than USD 10 billion. In Turkey, on the other hand, no major natural disasters took place, which made significant impact upon the insurance industry.

Although official data on the Turkish insurance industry are yet to be released, real growth highly above the inflation rate is estimated to be registered in 2013, on the back of a total premium production worth nearly TL 24 billion corresponding to a year-on rise by 22%. This is the result of significant expansion in premiums written in Accident, Fire and Natural Disasters, the General Damages branch covering Engineering and Agriculture, and in Land Vehicles insurance, as well. Controlling the largest share in terms of premium production, Land Vehicles Liability Insurance accounts for nearly 22% of total premiums. Besides making up a significant share within total premiums, the Land Vehicles Liability Insurance is also identified as the branch with the highest impact on insurers' technical results and balance sheets.

Writing business from the Turkish insurance industry since 1929, our Company began focusing also on international markets in 2006 in line with the strategy espoused, and the Singapore Branch, which was established as part of this strategy, began operations in 2008. Having thus started taking on a more active role in international reinsurance markets, our Company's total premium production amounted to TL 925.2 million in 2013. Of this figure, 76% corresponding to TL 703.5 million was generated from local business, and 24% corresponding to TL 221.7 million from the international book. The Company's premium production on local and international businesses decreased by 10% year-on-year. The decline in premium production stemmed from the softened rates in the reinsurance market in 2013, combined with the Company's policy to withdraw or cancel its involvement in some local and international reinsurance contracts that produced loss in keeping with the Company's measures adopted to increase technical profitability.

The Company posted a total of TL 22.6 million profit for the period on its 2013 operations; TL 11.9 million of this figure was derived on financial accounts and TL 10.7 million on technical accounts. The Company's existing paid-up capital remained unchanged as at year-end 2013, while total assets and shareholders' equity went up to TL 1,847.2 million and to TL 702 million, respectively.

The Company aims to maintain its leadership and preserve its market share in the Turkish reinsurance market in the years ahead as it has done to date, and to sustain the consistent development in the international portfolio.

We extend our thanks to our esteemed shareholders and our employees who were the greatest contributors in making it possible for our Company to preserve its prestige and reliability acquired in the past 85 years and the greatest supporters in its efforts to be a preferred business partner owing to its robust financial structure.

BOARD OF DIRECTORS

Information on the Company's Activities

Repurchased own shares by the Company
None

Disclosures concerning special audit and public audit during the reporting period
Our Company was subjected to public audit by Undersecretariat of Turkish Treasury in 2013.

Lawsuits filed against the Company and the members of the governing body and potential results
There are no lawsuits brought against the Company, which are of a nature that might affect the Company's financial standing and its activities.

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation.

Extraordinary General Meetings held during the reporting period
The Company did not hold an extraordinary general meeting during 2013.

Expenses incurred in the reporting period in relation to donations, grants, and social responsibility projects
The Company's donations under this heading amounted to TL 17,550 in 2013.

Relations with the controlling company or an affiliate thereof
Between our Company and our controlling shareholder İşbank and other Group Companies affiliated to İşbank, there is no:

- Transfer of receivables, payables or assets,
- Legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- Legal transaction that might result in transfer of profit.

All commercial transactions the Company realized with its controlling shareholder and with the Group Companies affiliated thereto during 2013 were carried out on an arm's length basis, according to the terms and conditions known to us, related counter performances have been carried out, and the Company did not register any loss on account of any such transaction.

Corporate Social Responsibility

Milli Re Art Gallery

The story of the Milli Re Art Gallery started in 1994 when Milli Re has reserved a section of its business building in Teşvikiye for artistic and cultural activities, and designed a library, an auditorium and a gallery in this section.

In the twenty years since its debut, Milli Re Art Gallery has organized nearly 170 exhibitions, all of which were widely acclaimed in art circles and followed with interest. The gallery has published more than one hundred and sixty books with texts by famous Turkish and foreign authors and art critics, most of which are referenced in the art literature.

Some of the exhibitions put on display at the Milli Re Art Gallery are also displayed in other countries, including, among others, Germany, Slovenia, Bosnia-Herzegovina, Georgia and Finland. Besides the "Rural Architecture in the Eastern Black Sea Region" exhibition displayed at many universities and international museums both in Turkey and abroad since 2005, "Mylasa Labraunda/Milas Çomakdağ" exhibition receives invitations from major museums and universities abroad.

All details on exhibitions and publications are available on
www.millireasuranssanatgalerisi.com

Milli Re Chamber Orchestra

Milli Re Chamber Orchestra, which is constituted of artists most of whom also pursue solo music careers, was established in 1996. Having performed its first concert on 10 April 1996, the Milli Re Chamber Orchestra has signed its name under numerous successful concerts since its foundation with famous Turkish and foreign conductors and musicians. Bringing universal polyphonic music, which enriches our cultural life, to music-lovers through concerts and recitals, the Milli Re Chamber Orchestra performs at the concert hall in the Milli Re building from October through May every year.

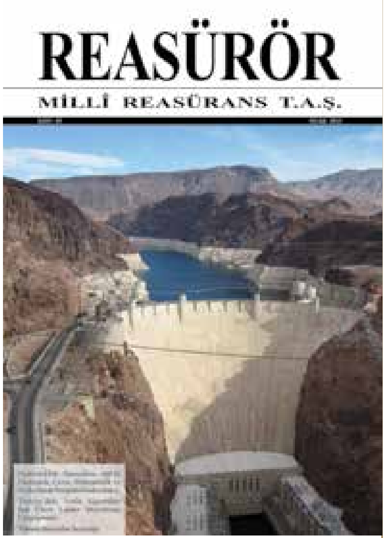
In addition to the regularly performed concerts, the Orchestra takes part in various national and international festivals. The Milli Re Chamber Orchestra also released two CDs, titled "Romantic Era Strings Music" and "Şensoy Plays Tura".

Continuing to extend support to art through sponsorship of the 34th, 36th, 38th and 40th International İstanbul Music Festivals, held in 2006, 2008, 2010 and 2012 respectively, Milli Re will be a sponsor of the 42nd International İstanbul Music Festival that will be held in 2014.

Miltaş Sports Complex

Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis and basketball. The Complex has been hosting the International Insurance Tennis Tournament every year in early summer since 1986, providing a unique environment that brings together foreign reinsurers and brokers engaged in the Turkish insurance market with the insurers. In addition to tennis and basketball courses organized every year for various age groups, private tennis lessons are available for adults in the Complex.

Corporate Social Responsibility



Reasürör Magazine

Quarterly published since 1991, the Reasürör Magazine provides fully academic content including compilations, translations, interviews, and statistical information in a variety of branches. The Reasürör Magazine serves as a valuable scientific resource for use by the industry employees and students pursuing their studies at various levels in insurance education.

All issues of the Reasürör Magazine can be accessed at the addresses **www.millire.com** and **www.millire.com.tr**

Milli Re Library

Milli Re Library is a specialized library in which publications, periodicals and other materials concerning the insurance industry and related topics are collected, organized and put to the service of users under a modern information and document management approach.

The Milli Re Library is market's most extensive library in terms of books and periodicals. The library also supports the libraries of Insurance Vocational Schools of Higher Education, which were established or are in the process of being established in Turkey, by sending books and periodicals.

The Library is open from 09:00 until 12:00 and from 13:00 until 17:00 hours on weekdays, and the catalogues of available publications can be accessed at **www.kutuphane.millire.com**

Turkish Insurance Institute Foundation (TII)

Turkish Insurance Institute Foundation (TII) was established jointly by Milli Re and the Insurance Association of Turkey in 1970 for the purpose of working to further the penetration and development of insurance in Turkey, advance the insurance business, train staff for the insurance sector, identify and review economic, legal and technical matters and issues in all insurance branches including social insurance, and help the Turkish insurance industry be highly positioned in economic and social life and development.

Having offered training service to more than 30% of the Turkish insurance industry employees since its foundation, TII organizes "Advanced Insurance Training Programs" and short-term training programs, courses on legislation, and company training in various topics, in addition to the "Basic Insurance Training Program", which is a long-term insurance training course opened annually since 1970.

On the other hand in 2013, the TII started "Insurance" and "Insurance and Risk Management" master programs within the framework of the protocol signed with İstanbul Ticaret Üniversitesi.

A protocol was signed between TII and Vocational Qualification Institute with the purpose of identifying professional standards and professional qualification criteria in the insurance sector. The professional standards for Insurance Agency Technical Personnel, Insurance Brokery Technical Personnel, Private Pension Intermediary, Insurance Company Technical Personnel, Insurance Company Loss Settlement Personnel, specified within this protocol went into force as National Vocational Standards, following the approval of Vocational Qualification Institute's Board and being published on the Official Gazette in 31 May 2013.

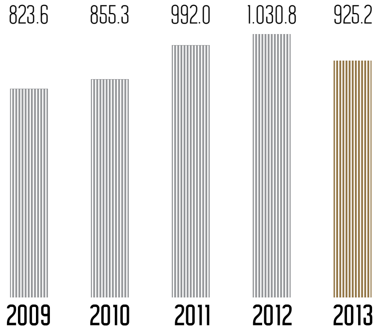
Financial Status

Key Financial Indicators

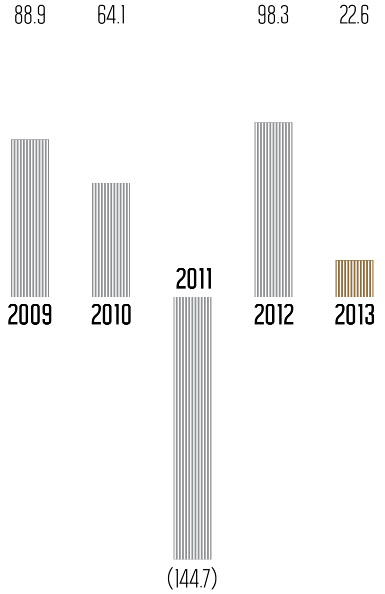
Financial Results (TL million)	2012	2013	Change (%)
Total Assets	1,763.9	1,847.2	4.7
Shareholders' Equity	658.4	702.0	6.6
Technical Income	2,267.0	2,110.0	(6.9)
Technical Profit/Loss	105.1	10.7	(89.8)
Financial Income	44.3	44.4	0.2
Financial Profit/Loss	(6.8)	11.9	+
Profit/Loss for the Period	98.3	22.6	(77.0)

Ratios (%)	2012	2013
Liquid Assets/Total Assets	59	60
Gross Written Premiums/Shareholders' Equity	157	132
Profit Before Tax/Gross Written Premiums	10	2
Shareholders' Equity/Total Assets	37	38
Profit Before Tax/Average Shareholders' Equity (Excluding profit)	19	3
Profit Before Tax/Average Total Assets	6	1
Net Loss Ratio	76	78

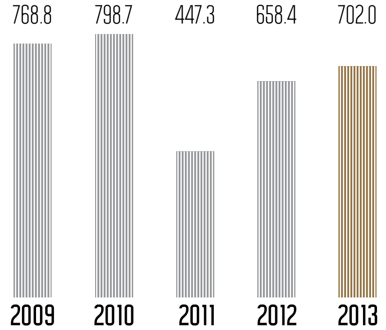
Premium Income
(TL million)



Profit for the Period
(TL million)



Shareholders' Equity
(TL million)



Key Financial Figures

(TL)	2009	2010	2011	2012	2013
Assets					
Cash and Cash Equivalents	583,896,839	382,316,698	582,286,838	677,226,863	603,582,774
Securities	510,592,376	495,359,682	306,538,179	360,820,842	497,248,099
Subsidiaries	124,962,744	0	0	0	0
Affiliates	746,207	387,588,848	227,120,790	330,278,828	381,857,848
Fixed Assets	49,406,849	48,174,048	46,841,614	45,615,896	43,700,317
Doubtful Receivables (Net)	0	0	0	0	0
Total Assets	1,562,695,861	1,621,268,850	1,594,891,858	1,763,913,538	1,847,223,745
Liabilities					
Technical Provisions	698,939,892	756,994,096	1,079,305,637	1,026,897,719	1,056,899,201
Shareholders' Equity*	768,774,070	798,689,610	447,269,521	658,397,986	702,005,911
Income and Expense Items					
Technical Income	1,698,923,036	1,731,029,743	1,937,552,261	2,266,964,100	2,109,803,536
Technical Expenses	1,684,224,810	1,709,405,483	2,133,674,154	2,161,861,498	2,099,084,858
Technical Profit/Loss	14,698,225	21,624,260	(196,121,892)	105,102,602	10,718,678
Financial Income	131,010,528	84,818,884	86,126,846	44,254,248	44,392,360
Financial Expenses	42,492,296	35,843,117	28,925,708	43,718,498	26,301,485
General Expenses	9,914,068	6,509,257	5,816,234	7,289,532	6,170,640
Financial Profit/Loss	78,604,165	42,466,510	51,384,904	(6,753,784)	11,920,236
Profit/Loss for the Period	93,302,390	64,090,771	(144,736,989)	98,348,818	22,638,914

* Including Profit/Loss for the Period

An Evaluation of 2013 Financial Results

The Company's financial investments are invested in accordance with the Asset Investment Guidelines, which was formulated under the provisions of the "Regulation Amending the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 27877 dated 17 March 2011.

The investment portfolio of the Company consist of financial investment instruments with high yield and liquidity that involve minimum risk. Part of our portfolio is managed by İş Portföy Yönetimi A.Ş. (İş Asset Management). The Company's financial results are presented in detail below.

Investment Income

In 2013, the Company obtained TL 11,771,610 on the trading of the marketable securities and fixed-income securities within our investment portfolio, reflecting the developments in the financial markets. The "Financial Investments Valuation Account" showed a decline as compared with 2012, as a result of the increased interest rates on fixed-income securities and the fall in the BIST (Borsa İstanbul) index. The Company booked currency translation gains in the amount of TL 20,774,871 due to the fluctuations in exchange rates during the reporting period, and rental income in the amount of TL 10,331,531 on investment properties.

At the bottom line, Milli Re's investment income totaled TL 114,774,966.

(TL)	31.12.2012	31.12.2013	Change (%)
Investment Income	130,965,159	114,774,966	(12.36)
Income from Financial Assets	80,361,831	73,775,818	(8.2)
Income from Disposal of Financial Assets	17,988,874	11,771,610	(34.56)
Valuation of Financial Assets	14,245,584	(6,225,984)	-
Foreign Exchange Gains	8,333,438	20,774,871	149.3
Income from Subsidiaries and Joint Ventures	0	1,925	100
Income from Property, Plant and Equipment	9,694,494	10,331,531	6.57
Income from Derivative Transactions	333,499	4,345,195	1,202.9
Other Investments	7,439	0	(100)

Investment Expenses

In 2013, the Company's investment expenses decreased by 21.15% on a year-to-year basis. Pursuant to the provisions of the Communiqué published by the Turkish Republic Prime Ministry Undersecretariat of Treasury, a portion of the financial income and expense items was transferred to the technical income and expense accounts for the related branches. Detailed information on this implementation is presented in the section entitled "Notes to the Financial Statements for 2013" of this Annual Report. In 2013, investment income in the amount of TL 63,118,469 and general expenses in the amount of TL 40,324,561 were transferred from financial accounts to technical accounts. As a result of the decreased income on the assets assigned as collateral for Technical Reserves, Investment Income Transferred to Non-life Technical Account went down by 27.26% on an annual basis. As the fluctuation in exchange rates were less as compared with 2012, currency translation losses dropped by 82.39% and stood at TL 2,578,350.

(TL)	31.12.2012	31.12.2013	Change (%)
Investment Expense	(114,465,738)	(90,248,876)	(21.15)
Investment Management Expenses (inc. interest)	(390,732)	(1,472,447)	276.84
Loss from Disposal of Financial Assets	(5,103,243)	(9,840,257)	92.82
Investment Income Transferred to Non-Life Technical Section	(86,773,916)	(63,118,469)	(27.26)
Loss from Derivative Transactions	0	(6,400,095)	-
Foreign Exchange Losses	(14,645,711)	(2,578,350)	(82.39)
Depreciation and Amortization Expenses	(2,152,504)	(2,137,359)	(0.70)
Other Investment Expenses	(5,399,632)	(4,701,899)	(12.92)

Income and Expenses from Other and Extraordinary Operations

The "Income and Expenses from Other and Extraordinary Operations" account declined year-on with the effect of the deferred tax liability cost in our income statement, and stood at TL 12,605,854.

(TL)	31.12.2012	31.12.2013	Change (%)
Income and Expenses from Other and Extraordinary Operations	(23,253,205)	(12,605,854)	(45.78)
Provisions	(6,403,075)	(6,780,407)	5.89
Rediscounts	(147,053)	26,996	+
Deferred Taxation (Deferred Tax Liabilities)	(17,319,883)	(6,036,785)	(65.14)
Other Income	654,533	214,969	(70.21)
Other Expenses and Losses	(37,727)	(30,627)	(71.83)

At the bottom line, the Company's total assets went up by 4.72% year-on and reached TL 1,847,223,745. Having booked a net profit for the period in the amount of TL 98,348,818 as at 31 December 2012, the Company posted a net profit for the period in the amount of TL 22,638,914 in 2013, within the frame of the defined strategies and projections.

Dividend Distribution Policy and Proposal

Dividend Distribution Policy

In relation to dividend distribution, utmost care is taken to maintain the delicate balance between the Company's interests and shareholders' expectations, and due regard is paid to the Company's profitability.

Dividend distribution principles that are determined within the frame of applicable legislation and the Company's articles of association are presented below:

Profit distribution at the Company is decided by the General Assembly of Shareholders based on the Board of Directors proposal in view of the provisions of the Turkish Commercial Code and other applicable legislation governing the Company.

The Company's net profit is revenues generated at the end of a fiscal year less general expenses, depreciation, all reserves deemed necessary, taxes and similar legal and financial obligations, and prior year losses, if any.

Net profit, which is calculated as mentioned above, is allocated and distributed in the order written below:

a) Out of the net annual profit, 5% general legal reserves is set aside every year until such reserves reach 20% of the paid-in capital.

b) Once the legal limit is reached, amounts stipulated by Article 519/2(a) and (b) of the Turkish Commercial Code are added to the general legal reserves.

c) Out of the remaining net profit amount, first dividend in the amount of 10% is distributed to shareholders.

d) If the Company has repurchased own shares, reserves in the amount that will cover the acquisition costs will be set aside pursuant to Article 520 of the Turkish Commercial Code.

e) From the remaining amount, natural disaster and catastrophe fund may be set aside, if deemed necessary, in amounts to be determined upon proposal of the Board of Directors and based on the resolution passed by the General Assembly.

f) From the balance that remains after setting aside the legal reserves, first dividends and funds mentioned above from the net profit, 3.5% is paid out to founder shares, and up to 3% to employees, provided that such amount will not exceed three times the salaries of respective recipients.

g) From the amount remaining after the above mentioned allocations and distributions are made, second dividends are paid to shareholders upon proposal of the Board of Directors and based on the resolution passed by the General Assembly, without prejudice to the provisions of applicable legislation.

h) Pursuant to the provision of Article 519/2(c) of the Turkish Commercial Code, 10% of the total amount to be distributed to those who will get a share from profit will be added to legal reserves.

i) The balance will be utilized in the form and manner to be determined by the General Assembly.

Provisions of Article 519/3 of the Turkish Commercial Code are reserved.

Unless and until the reserves that are legally required to be set aside and the first dividends determined for shareholders in the Articles of Incorporation are set aside, it may not be decided to set aside further reserves, to carry forward profit to the following year and to distribute profit share to Board of Directors members, founders and employees.

Cash dividend payout is realized by no later than the end of the second month following the date of the General Assembly meeting in which the profit distribution decision was passed. Dividend payout in the form of dematerialized shares is carried out upon receipt of legal permissions.

Dividend Distribution Proposal

In view of the loss our Company posted in prior years in the amount of TL 46,388,171, no distributable amount arose although a net profit for the period was booked in 2013 in the amount of TL 22,638,914.

		31.12.2013
1.	Profit/Loss for the Period	22,638,914
2.	Taxes Payable (-)	0
3.	Net Profit/Loss for the Period (=)	22,638,914
4.	Losses in Prior Years	(46,388,171)
5.	First Legal Reserves	0
6.	Net Distributable Profit	(23,749,257)
7.	First Dividend to Shareholders	0
8.	Statutory Reserves	0
9.	Second Dividend to Shareholders	0
10.	Second Legal Reserves	0
11.	Extraordinary Reserves	0

Risks and Assessment of the Governing Body

Risk Management Practices

Given the risk-focused nature of the insurance business, it is the top priority for insurance and reinsurance companies to establish risk management systems and processes, and systematically monitor risks and exposures. Therefore, the Company has been implementing risk management techniques for many years; development of activities conducted in this respect has gained even greater importance due to the recent adverse developments in financial markets both locally and globally as well as because of the unforeseen natural disasters that occurred.

The aim of the Risk Management System is to define the risks arising from the Company's activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary precautions and to do the necessary reporting to related authorities, as well as to protect Milli Re's reputation and to ensure that liabilities to insurance companies are fulfilled completely and in a timely manner.

The function of the Risk Committee, which is established for the purpose of determining risk management strategies and policies that the Company will follow and submitting them to the Board of Directors for approval, is to evaluate the Risk Management activities of the "Internal Control and Risk Management Department" in accordance with the procedures governing Risk Management functions and to monitor the implementation of these functions throughout the Company.

The "Risk Catalogue", which aims to form a common terminology within the Company and in which possible risks are classified and defined by examples and the "Risk Management Guide", which includes the organization of the Risk Management function, possible risks and their measurement methods, are updated every year in accordance with the activities of the Company and approved by the Board of Directors.

Moreover, the measurement methods of the risks that the Company is/may be exposed to, risk management duties and responsibilities, Company's risk tolerance, risk limits, determination methods of these limits and plans in case of limit violations are detailed in the "Application Principles in Respect of Risk Limits", which is approved by the Board of Directors and updated every year.

The risk management duties and responsibilities of the Internal Control and Risk Management Department, which is a separate body organized independently from the Company's executive functions, are as follows:

- To determine, define, measure, monitor and control risks
- To determine the risk management principles, procedures and policies predicated on the risk management strategies and to submit them to the Risk Committee
- To declare risk management principles, procedures and policies throughout the Company
- To provide the implementation of the policies and compliance with them
- To develop risk management techniques and methods, to ensure that risks are within the determined limits and to monitor limit violations, if any.
- To carry out reporting and announcement activities in respect of risk management.
- To follow-up the developments on Solvency II and conduct studies within this framework.

Basic Risks and Measurement Methods

Risks that the Company is and/or may be exposed to are classified under two headings: financial and non-financial risks. Explanations regarding the definitions and assessment methods of basic risks are stated below.

Financial Risks

Reinsurance Risk

This risk arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities.

When measuring the Reinsurance Risk, it is reviewed whether underwriting is carried out within predefined limits and principles, and whether the Company's retention limits and reinsurance protection limits are compliant with the criteria set out in the Risk Limits Implementation Guidelines.

When preparing retrocession agreements for the purpose of covering the liabilities arising from underwritten business, the Company's capitalization, market conditions, underwriting limits in relation to the branches for which agreements will be issued, risk profiles, loss experiences, accumulation that may occur in the event of a catastrophe risk, regional event limits, and modeled loss amounts, if applicable, are taken into consideration.

Credit Risk

This risk expresses the probability of loss arising from the full or partial default of the counterparties (security issuers, insurance/reinsurance companies, other debtors) with which the Company has a business relationship.

Regarding this risk, which is measured by both quantitative and qualitative methods, an analysis is performed on the credit ratings of reinsurers, which are used as the key criteria in the selection of reinsurers that will take place in the retrocession contracts issued for protecting the Company's liabilities arising from the businesses accepted from various lines of businesses and branches.

When assessing the concentration regarding the ceded premiums to reinsurers, concentration ratios on the ratings of these companies are taken into consideration based on the limits set by the Turkish Republic Prime Ministry Undersecretariat of Treasury. Premium cessions in excess of these limits are considered as concentration, and are multiplied by risk factors set by the Turkish Republic Prime Ministry Undersecretariat of Treasury and included in the capital adequacy calculation.

Moreover, Bad Debt balances, the distribution of the Company's investment portfolio in terms of counterparties, and the ratings of private sector bond issuers in the portfolio are monitored subject to the principles defined in the Company Investment Policy

Asset - Liability Management Risk

This risk expresses the potential loss that might arise from the management of the Company assets without considering the characteristics of the Company's liabilities and optimizing the risk-return balance.

This risk, which is measured by quantitative methods, includes all other financial risks of the Company with the exception of Reinsurance and Credit Risk. The components of the risk are described below:

a- Market Risk

This risk expresses the probability of loss because of the interest and exchange rate risk arising in the Company's financial position from the volatilities in markets, and because of interest and exchange rate and equity position risk occurring in the financial position of the Company due to the interest rate, exchange rate, equity, commodity and option price changes.

When determining the Company's Market Risk exposure, maximum loss of value is measured, which might arise at various confidence levels in investment portfolio value due to movements in markets. Furthermore, the potential impact of unexpected situations and contingencies on the investment portfolio and the sensitivity of the portfolio to the changes in risk factors are also monitored.

Market Risk limits are covered in the "Application Principles for Risk Limits", whereas Investment Portfolio Limits are contained in the "Derivative Products Policy", "Macro Assets Investment Policy", "Investment Policy" and "Alternative Investment Plan".

Limit violations are monitored regularly.

b- Liquidity Risk

This risk refers to the probability of loss the Company may be exposed to due to unavailability of cash holdings or cash inflows in quantity and quality to satisfy its cash disbursement obligations fully and in a timely manner as a result of the imbalance in the Company's cash flows.

This risk is measured using quantitative methods, and any liquidity deficit is observed via maturity analysis of assets and liabilities in the balance sheet. Moreover, the Company's liquidity structure is monitored by using the following basic indicators and assessed using the limits determined by the Undersecretariat of Turkish Treasury:

• Liquid Assets/Total Assets
• Liquidity Ratio
• Current Ratio
• Premium and Reinsurance Receivables/Total Assets

c- Capital Investment Risk

This risk expresses the loss that may arise in the value of capital investments or dividend income due to general market conditions and/or to the problems in managerial or financial structure of the invested companies.

Market values of the equities followed-up under Financial Assets Held for Trading Account and under Available-for-Sale Financial Assets and Subsidiaries accounts are evaluated on the basis of Borsa İstanbul (BIST) data. Capital investments regarding capital market instruments, which are unlisted in BIST, are subject to the approval of the Board of Directors.

d- Real Estate Investment Risk

This risk expresses the negative impact of adverse movements or excessive volatilities in real estate prices or the sale of the real estates under actual value on assets which are sensitive to real estate prices.

Real Estate Investment Risk is monitored in accordance with valuation reports which are to be prepared in accordance with the related provisions of the legislation and in the context of the Company's requirements and investment policies.

Non-Financial Risks

Operational Environment Risk

This risk is defined as the negative impact on the operational ability of the Company, due to the external factors in the Company's operating areas such as political, economic, demographic conditions, etc.

Qualitative methods are used to measure this risk. Underwriting portfolio is monitored on the basis of countries to see if business is accepted from a country that is defined as "unapproved" territory due to political or economic conditions. Moreover, ratings of countries, which are responsible for the highest portion of the Company's underwritings, are studied.

Strategy Risk

This risk arises due to the inefficient managerial and organizational structure of the Company, inability of the management to develop effective strategies or non-disclosure and/or lack of implementation of these strategies, erroneous business decisions, improper application of decisions or noncompliance with the changing market dynamics.

Qualitative methods are used to measure the level of this risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Moderate", "Reasonable" or "Low".

Model Risk
This risk expresses the probability of loss that may occur if the models that the Company uses within the risk measurement processes are inappropriately designed or not properly implemented.

In the measurement and evaluation of Model Risk, "Questionnaire" and/or "Interview" methods are used on the basis of "Self-Assessment Methodology", to determine the impact and probability level of the risk as "High", "Moderate", "Reasonable" or "Low".

Operational Risk
This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, changes in management or processes, inaccurate internal/external reporting or external factors occurring while the Company conducts its vital functions necessary for the continuation of business, and inability to secure low cost and high efficiency as a result of business interruption due to disasters.

Qualitative and quantitative methods are used together in measuring the operational risk. Factor Based Standard Approach, which is developed under Solvency II framework, is applied as a quantitative method. In this method, the required capital for Operational Risks is calculated by multiplying Gross Technical Provisions and Gross Earned Premiums by the factors in respect of the branches they are related to.

"Self-Assessment Methodology", which allows determination of the risks related to activities conducted with the involvement of staff performing such activities, is applied as a qualitative method. The level of the operational risk that the Company is exposed to is subsequently classified as "High", "Acceptable" or "Low" depending on the result of the assessments.

Moreover, the Contingency Management process which is defined for managing and monitoring the sub-risks in relation to Business Continuity and IT Continuity that take place under this main risk heading is carried out within the frame of applicable legislation.

Internal training programs are organized and tests/drills are realized every year within the context of Contingency Management.

Reputation Risk
This risk can be defined as the probable loss of confidence of counterparties or damage to the "Company Reputation" resulting from failures in the performance of the Company or noncompliance with current regulations.

Qualitative methods are used to measure the level of this risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Moderate", "Reasonable" or "Low".

All findings obtained as a result of measuring the above-mentioned risks, all analysis and assessments regarding these findings are reported to the General Manager, Risk Committee and Board of Directors, as well as to the Directorate of Subsidiaries and Directorate of Risk Management of İşbank by the Internal Control and Risk Management Department regularly.

If the impact and probability level of the risks are found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Assessment of Capital Adequacy

The Company's capital adequacy is measured according to the provisions of "Regulation in Respect of Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies", which was published by Undersecretariat of Turkish Treasury and assessments regarding the results are first submitted to the Risk Committee via the "Risk Assessment Report" and after the approval of the committee, submitted to the Board of Directors.

The factor-based method, used according to the said regulation, is a method which determines the amount of capital defined in the same regulation as per each type of risk, and thus allows the calculation of the total required capital.

Transactions Carried out with Milli Re's Risk Group

Being a member of İşbank 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, banking, portfolio management, information technologies services and risk management.

Risk management activities are carried out in compliance with Consolidated Risk Policies of the risk group. Possible risks and findings from their measurement are regularly monitored through reporting systems set up within the group.

Detailed information on the Company's transactions with its risk group is presented in the notes to the Financial Statements.

The Annual Reports of the Parent Company in the Group of Companies

The Annual Reports of the Parent Company in the Group of Companies

a- The Parent Company Milli Re holds shares representing 57.31% of the capital of Anadolu Anonim Türk Sigorta Şirketi directly, and 1% and 20% of the capital of Anadolu Hayat ve Emeklilik A.Ş. directly and indirectly, respectively.

b- Enterprises that belong to the Group do not hold shares in the capital of the Parent Company, Milli Re.

c- The Company's Consolidated and Unconsolidated Internal Audit and Risk Management Policies are formulated within the frame of the relevant consolidated policies of the group of companies to which the Company is affiliated, and covers the Company's partnerships subject to consolidation on a line-by-line basis. These are based on the operating principles of Türkiye İş Bankası A.Ş.

Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Independent Auditors' Report

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Introduction

We have audited the accompanying unconsolidated balance sheet of Milli Reasürans Türk Anonim Şirketi (the" Company") as at 31 December 2013 and the related unconsolidated statements of income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the accounting principles and standards in force as per the insurance legislation. This responsibility includes: designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying unconsolidated financial statements give a true and fair view of the financial position of Milli Reasürans Türk Anonim Şirketi as at 31 December 2013, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

Istanbul, 20 February 2014
Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Alper Güvenç, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

As explained in *Note 2.1.1*, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Unconsolidated Financial Statements as at and for the Year Ended 31 December 2013

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2013 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, 20 February 2014

Şule SOYLU
Group Manager

Kemal ÇUHACI
Assistant General Manager

Hasan Hulki YALÇIN
General Manager

Ertan TAN
Actuary

Contents

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Cash and Cash Equivalents	**14**	**603,582,774**	**677,226,863**
1- Cash	14	13,024	24,735
2- Cheques Received		-	-
3- Banks	14	603,569,750	677,202,128
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables with Maturity Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**497,248,099**	**360,820,842**
1- Available-for-Sale Financial Assets	11	466,974,184	310,126,411
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	30,273,915	50,694,431
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Life Insurance Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**12**	**185,157,785**	**185,066,883**
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations	12	104,820,208	114,726,420
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance & Reinsurance Companies	12	80,337,577	70,340,463
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	8,985	3,407
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(8,985)	(3,407)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	**12**	**128,059**	**110,476**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		90,797	71,185
4- Other Miscellaneous Receivables		37,262	39,291
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables	12	63,177	232,377
7- Provision for Other Doubtful Receivables	4.2,12	(63,177)	(232,377)
F- Prepaid Expenses and Income Accruals		**102,422,866**	**117,878,229**
1- Deferred Acquisition Costs	17	87,498,692	102,260,739
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	14,730,323	15,426,591
4- Other Prepaid Expenses		193,851	190,899
G- Other Current Assets		**8,410,159**	**9,907,866**
1- Stocks to be Used in the Following Months		31,567	28,735
2- Prepaid Taxes and Funds	12	8,019,284	9,551,587
3- Deferred Tax Assets		-	-
4- Job Advances	12	2,046	1,952
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		357,262	325,592
8- Provision for Other Current Assets		-	-
I- Total Current Assets		**1,396,949,742**	**1,351,011,159**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations	4.2,12	10,908,362	9,372,557
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(10,908,362)	(9,372,557)
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		-	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	**9**	**381,857,848**	**330,278,828**
1- Investments in Equity Shares		-	-
2- Investments in Associates		-	-
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries	9	381,857,848	330,278,828
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets	**6**	**42,994,518**	**44,873,572**
1- Investment Properties	6,7	41,342,839	41,342,839
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	31,392,945	31,392,945
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	3,540,753	3,503,244
6- Motor Vehicles	6	1,278,823	1,215,214
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Tangible Assets Acquired Through Finance Leases		-	-
9- Accumulated Depreciation	6	(34,560,842)	(32,580,670)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	**8**	**705,799**	**742,324**
1- Rights	8	2,373,390	2,105,443
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(1,667,591)	(1,363,119)
7- Advances Paid for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		**5,479**	**18,176**
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		5,479	18,176
H- Other Non-Current Assets	**21**	**24,710,359**	**36,989,479**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	24,710,359	36,989,479
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		**450,274,003**	**412,902,379**
TOTAL ASSETS		**1,847,223,745**	**1,763,913,538**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

LIABILITIES

III- Short-Term Liabilities	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	**19**	**41,083,420**	**36,566,230**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		40,078,893	35,494,365
3- Cash Deposited by Insurance and Reinsurance Companies		1,004,527	1,071,865
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties	**19**	**86,156**	**121,029**
1- Due to Shareholders	45	72,450	72,450
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	13,706	48,579
D- Other Payables	**19**	**312,611**	**412,535**
1- Deposits and Guarantees Received		42,417	48,500
2- Payables to Social Security Institution Related to Treatment Expenses		-	-
3- Other Miscellaneous Payables	19	270,194	364,035
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	**17**	**1,035,107,914**	**1,008,634,370**
1- Reserve for Unearned Premiums - Net	17	349,862,656	387,033,147
2- Reserve for Unexpired Risks- Net	17	5,895,886	1,576,119
3- Life Mathematical Provisions - Net	17	641,636	1,020,079
4- Provision for Outstanding Claims - Net	17	678,707,736	619,005,025
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F- Provisions for Taxes and Other Similar Obligations	**19**	**1,156,680**	**897,529**
1- Taxes and Funds Payable		1,065,278	813,764
2- Social Security Premiums Payable		91,402	83,765
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables	-	-	-
5- Corporate Tax Payable	19	-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	19	-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	**19**	**3,519,550**	**4,185,235**
1- Deferred Commission Income	10,19	372,409	934,576
2- Expense Accruals		3,042,211	3,123,239
3- Other Deferred Income		104,930	127,420
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III- Total Short Term Liabilities		**1,081,266,331**	**1,050,816,928**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Operating Activities		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Payables to Social Security Institution Related to Treatment Expenses		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	**17**	**21,791,287**	**18,263,349**
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net	17	21,791,287	18,263,349
F- Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**42,160,216**	**36,418,608**
1- Provisions for Employment Termination Benefits	23	5,844,190	5,323,213
2- Provisions for Pension Fund Deficits	22,23	36,316,026	31,095,395
H-Deferred Income and Expense Accruals	**19**	-	**16,667**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	-	16,667
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		**63,951,503**	**54,698,624**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Paid in Capital		**615,000,000**	**615,000,000**
1- (Nominal) Capital	2.13,15	615,000,000	615,000,000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**(9,246,073)**	**(3,588,736)**
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale Assets That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments	15	(9,246,073)	(3,588,736)
5- Other Capital Reserves		-	-
C- Profit Reserves		**120,001,241**	**93,374,893**
1- Legal Reserves	15	49,622,694	49,622,694
2- Statutory Reserves	15	39,500,000	39,500,000
3- Extraordinary Reserves	15	5,512,899	5,512,899
4- Special Funds		-	-
5- Revaluation of Financial Assets	11,15	25,630,918	(1,260,700)
6- Other Profit Reserves		(265,270)	-
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		**(46,388,171)**	**(144,736,989)**
1- Accumulated Losses		(46,388,171)	(144,736,989)
F- Net Profit/(Loss) for the Year		**22,638,914**	**98,348,818**
1- Net Profit for the Year		22,638,914	98,348,818
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		**702,005,911**	**658,397,986**
TOTAL EQUITY AND LIABILITIES		**1,847,223,745**	**1,763,913,538**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Non-Life Technical Income		**935,484,453**	**1,092,092,510**
1- Earned Premiums (Net of Reinsurer Share)		811,798,443	990,602,040
1.1- Written Premiums (Net of Reinsurer Share)	17	778,558,377	907,722,546
1.1.1- Written Premiums, gross	17	903,407,847	1,010,293,358
1.1.2- Written Premiums, ceded	10, 17	(124,849,470)	(102,570,812)
1.1.3- Written Premiums, SSI share		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	37,559,833	15,545,809
1.2.1- Reserve for Unearned Premiums, gross	17	37,593,180	19,768,587
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(33,347)	(4,222,778)
1.2.3- Reserve for Unearned Premiums, SSI share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(4,319,767)	67,333,685
1.3.1- Reserve for Unexpired Risks, gross		(4,320,089)	69,157,302
1.3.2- Reserve for Unexpired Risks, ceded		322	(1,823,617)
2- Investment Income - Transferred from Non-Technical Section		63,118,469	86,773,916
3- Other Technical Income (Net of Reinsurer Share)		60,567,541	14,716,554
3.1- Other Technical Income, gross		60,539,351	14,715,538
3.2- Other Technical Income, ceded		28,190	1,016
4- Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense		**(929,186,261)**	**(993,759,547)**
1- Incurred Losses (Net of Reinsurer Share)		(641,692,541)	(713,137,915)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(582,397,637)	(686,184,266)
1.1.1- Claims Paid, gross	17	(612,288,138)	(714,698,585)
1.1.2- Claims Paid, ceded	10, 17	29,890,501	28,514,319
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(59,294,904)	(26,953,649)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(40,005,276)	(18,554,474)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	(19,289,628)	(8,399,175)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(3,262,513)	(3,640,558)
4- Operating Expenses	32	(284,231,207)	(276,981,074)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions, ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense, gross		-	-
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A - B)		**6,298,192**	**98,332,963**
D- Life Technical Income		**21,370,999**	**21,192,665**
1- Earned Premiums (Net of Reinsurer Share)		20,078,366	19,881,882
1.1- Written Premiums (Net of Reinsurer Share)	17	20,467,708	19,537,701
1.1.1- Written Premiums, gross	17	21,743,651	20,487,622
1.1.2- Written Premiums, ceded	10, 17	(1,275,943)	(949,921)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	(389,342)	344,181
1.2.1- Reserve for Unearned Premiums, gross	17	(487,433)	242,510
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	98,091	101,671
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		1,212,093	1,292,350
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		80,540	18,433
4.1- Other Technical Income, gross		80,540	18,433
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
E- Life Technical Expense		**(16,950,513)**	**(14,423,026)**
1- Incurred Losses (Net of Reinsurer Share)		(7,004,352)	(6,345,198)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,596,545)	(6,018,305)
1.1.1- Claims Paid, gross	17	(6,641,402)	(6,442,406)
1.1.2- Claims Paid, ceded	10,17	44,857	424,101
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(407,807)	(326,893)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,421,346)	(357,681)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	1,013,539	30,788
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	378,443	357,622
3.1- Change in Mathematical Provisions, gross	29	378,443	357,622
3.1.1- Actuarial Mathematical Provisions		378,443	357,622
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		-	-
3.2- Change in Mathematical Provisions, ceded		-	-
3.2.1- Actuarial Mathematical Provisions, ceded		-	-
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(265,425)	(252,279)
5- Operating Expenses	32	(10,059,179)	(8,183,171)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D - E)		**4,420,486**	**6,769,639**
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Private Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G - H)		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

II- NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
C- Net Technical Income - Non-Life (A-B)		**6,298,192**	**98,332,963**
F- Net Technical Income - Life (D-E)		**4,420,486**	**6,769,639**
I - Net Technical Income - Pension Business (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**10,718,678**	**105,102,602**
K- Investment Income		**114,774,966**	**130,965,159**
1- Income from Financial Assets	4.2	73,775,818	80,361,831
2- Income from Disposal of Financial Assets	4.2	11,771,610	17,988,874
3- Valuation of Financial Assets	4.2	(6,225,984)	14,245,584
4- Foreign Exchange Gains	4.2	20,774,871	8,333,438
5- Income from Associates	4.2	-	-
6- Income from Subsidiaries and Joint Ventures	4.2	1,925	-
7- Income from Property, Plant and Equipment	7	10,331,531	9,694,494
8- Income from Derivative Transactions	4.2	4,345,195	333,499
9- Other Investments		-	7,439
10- Income Transferred from Life Section		-	-
L- Investment Expense		**(90,248,876)**	**(114,465,738)**
1- Investment Management Expenses (inc. interest)	4.2	(1,472,447)	(390,732)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets	4.2	(9,840,257)	(5,103,243)
4- Investment Income Transferred to Non-Life Technical Section		(63,118,469)	(86,773,916)
5- Loss from Derivative Transactions	4.2	(6,400,095)	-
6- Foreign Exchange Losses	4.2	(2,578,350)	(14,645,711)
7- Depreciation and Amortization Expenses	6, 8	(2,137,359)	(2,152,504)
8- Other Investment Expenses		(4,701,899)	(5,399,632)
M- Income and Expenses From Other and Extraordinary Operations		**(12,605,854)**	**(23,253,205)**
1- Provisions	47	(6,780,407)	(6,403,075)
2- Rediscounts	47	26,996	(147,053)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	-	-
6- Deferred Taxation (Deferred Tax Liabilities)	35	(6,036,785)	(17,319,883)
7- Other Income		214,969	654,533
8- Other Expenses and Losses		(30,627)	(37,727)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year		**22,638,914**	**98,348,818**
1- Profit for the Year		22,638,914	98,348,818
2- Corporate Tax Provision and Other Fiscal Liabilities	35	-	-
3- Net Profit for the Year		22,638,914	98,348,818
4- Monetary Gains and Losses		-	-

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Changes in Equity for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Audited Changes in Equity - 31 December 2012

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment
I - Balance at the end of the previous year - 31 December 2011		**615,000,000**	**-**	**(112,261,856)**	**-**
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets		-	-	111,001,156	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings		-	-	-	-
J- Dividends paid		-	-	-	-
II - Balance at the end of the year - 31 December 2012		**615,000,000**	**-**	**(1,260,700)**	**-**

Audited Changes in Equity - 31 December 2013

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment
I - Balance at the end of the previous year - 31 December 2012		**615,000,000**	**-**	**(1,260,700)**	**-**
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets		-	-	26,891,618	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings	38	-	-	-	-
J- Dividends paid		-	-	-	-
II - Balance at the end of the year - 31 December 2013		**615,000,000**	**-**	**25,630,918**	**-**

The accompanying notes are an integral part of these unconsolidated financial statements.

Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
(5,367,227)	**49,622,694**	**39,500,000**	**5,512,899**	**(144,736,989)**	**-**	**447,269,521**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	**111,001,156**
1,778,491	-	-	-	-	-	**1,778,491**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	98,348,818	-	**98,348,818**
-	-	-	-	144,736,989	(144,736,989)	-
-	-	-	-	-	-	-
(3,588,736)	**49,622,694**	**39,500,000**	**5,512,899**	**98,348,818**	**(144,736,989)**	**658,397,986**

Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
(3,588,736)	**49,622,694**	**39,500,000**	**5,512,899**	**98,348,818**	**(144,736,989)**	**658,397,986**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(265,270)	-	-	**(265,270)**
-	-	-	-	-	-	**26,891,618**
(5,657,337)	-	-	-	-	-	**(5,657,337)**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	22,638,914	-	**22,638,914**
-	-	-	-	(98,348,818)	98,348,818	-
-	-	-	-	-	-	-
(9,246,073)	**49,622,694**	**39,500,000**	**5,247,629**	**22,638,914**	**(46,388,171)**	**702,005,911**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Cash Flows for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A. Cash flows from operating activities			
1. Cash provided from insurance activities		-	-
2. Cash provided from reinsurance activities		1,030,841,405	1,136,383,369
3. Cash provided from private pension business		-	-
4. Cash used in insurance activities		-	-
5. Cash used in reinsurance activities		(1,034,647,744)	(1,125,674,366)
6. Cash used in private pension business		-	-
7. Cash provided from operating activities		**(3,806,339)**	**10,709,003**
8. Interest paid		-	-
9. Income taxes paid		-	-
10. Other cash inflows		3,859,050	1,434,854
11. Other cash outflows		(5,473,691)	(453,401)
12. Net cash provided from operating activities		**(5,420,980)**	**11,690,456**
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		-	122,453
2. Acquisition of tangible assets	6, 8	(184,858)	(965,850)
3. Acquisition of financial assets	11	(517,714,382)	(520,977,165)
4. Proceeds from disposal of financial assets		371,081,965	526,115,332
5. Interests received		60,568,198	76,521,901
6. Dividends received		4,288,955	2,606,901
7. Other cash inflows		266,396,761	20,058,813
8. Other cash outflows		(20,858,090)	(279,285,358)
9. Net cash provided by/(used in) investing activities		**163,578,549**	**(175,802,973)**
C. Cash flows from financing activities		-	-
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash provided by financing activities		-	-
D. Effect of exchange rate fluctuations on cash and cash equivalents		**2,018**	**276**
E. Net increase/(decrease) in cash and cash equivalents		**158,159,587**	**(164,112,241)**
F. Cash and cash equivalents at the beginning of the year	**14**	**358,862,749**	**522,974,990**
G. Cash and cash equivalents at the end of the year	**14**	**517,022,336**	**358,862,749**

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	Note	Current Period 31 December 2013 (*)	Prior Period 31 December 2012
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT		22,638,914	98,348,818
1.2. TAXES AND DUTIES PAYABLE	35	-	-
1.2.1. Corporate Tax (Income Tax)	35	-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		**22,638,914**	**98,348,818**
1.3. ACCUMULATED LOSSES (-)		(46,388,171)	(144,736,989)
1.4. FIRST LEGAL RESERVES (-)		-	-
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**(23,749,257)**	**(46,388,171)**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.10.1. To owners of ordinary shares		-	-
1.10.2. To owners of privileged shares		-	-
1.10.3. To owners of redeemed shares		-	-
1.10.4. To holders profit sharing bonds		-	-
1.10.5. To holders of profit and loss sharing certificates		-	-
1.11. LEGAL RESERVES (-)		-	-
1.12. STATUTORY RESERVES(-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		-	-
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Since the Company does not have net profit available for distribution for the year ended 31 December 2013 and 2012, the profit distribution table is not prepared.

The accompanying notes are an integral part of these unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

1 General information

1.1 Name of the Company and the ultimate owner of the group

The shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi ("the Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

The Company was established in 26 February 1929 and has been operating since in 19 July 1929.

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company was registered in Turkey in 16 July 1929 and has the status of 'Incorporated Company'. The address of the Company's registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Business of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 ("the Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law.

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows.

- Providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- Managing and participating in reinsurance operations of Pools,
- Purchasing, selling, constructing and renting real estates,
- Purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

1.5 The average number of the personnel during the year in consideration of their categories

The average number of the personnel during the year in consideration of their categories is as follows:

	31 December 2013	31 December 2012
Senior managers	6	7
Managers	19	20
Officers	120	121
Contracted personnel	8	8
Other personnel	50	50
Total	**203**	**206**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2013, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 4,527,575 (31 December 2012: TL 4,067,644).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance with Insurance Accounting Plan" issued by the Turkish Treasury.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. In accordance with the approval of the Undersecretariat of Treasury, dated 6 March 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income is distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at 31 December 2013 separately.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company:	**www.millire.com**

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Individual Pension Law.

Although the 4th standard of the Turkish Accounting Standards Board ("TASB") (TASB has been closed since November 2011 and duties have been transferred to the Public Oversight Accounting and Auditing Standards) for the '*Insurance contracts*' became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that TFRS 4 will not be implemented at this stage since the second phase of the International Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, "Communiqué on Technical Reserves for Insurance, Reinsurance and Individual Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") is published in the Official Gazette dated 7 August 2007, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on their own captions in the following sections.

Accounting for subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered "Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures", issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TFRSs (TASB has been closed since November 2011 and duties have been transferred to the Public Oversight Accounting and Auditing Standards) for the accounting of subsidiaries, associates and joint venture until the publication of another regulation on this issue by the Turkish Treasury. "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4th repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 - *Financial Reporting in Hyperinflationary Economies*" as at 31 December 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2013, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2012 and nine-month results as at and for the period ended 30 September 2013 and accordingly related balance sheet balances as at 31 December 2013 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in "Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements*" and each under its own caption in the following sections of this report.

2.1.3 Current and presentation currency

The accompanying unconsolidated financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated 2 August 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Turkish Treasury to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated 12 August 2011 sent by the Turkish Treasury to the Company, prospective application as at 30 June 2011 effective from 1 January 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as at 31 December 2013, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January - 31 December 2013. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated 12 January 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Turkish Treasury to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at 31 December 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, provision for outstanding claims and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2013, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2013, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

Revised TFRS 13 "*Fair Value Measurement*" replaces the fair value measurement guidance contained in individual TFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs.

It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity applied TFRS 13 for annual periods after 1 January 2013.

The amended TAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Financial status and impacts on performance of revised standard considered by the Company and related regulations on financial tables completed.

The amended TAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The company, couldn't recognized previous years actuarial gains and losses under the equity due to the related amount is under the materiality but the current year actuarial gains and losses is recognized at the other reserves in equity.

The Company started to recognize all actuarial gains and losses immediately in other comprehensive income in accordance with the change in IAS 19 (2011).

The Company recognized all actuarial gains and losses in profit or loss in previous years. Since the effect of this change has an immaterial effect on the previous year's financial statements, the Company did not restate its financial statements as at and for the year ended 31 December 2012.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 - *Critical accounting estimates and judgments in applying accounting policies*.

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

In this context, Company's associate; Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") has been consolidated in the consolidated financial statements that are prepared separately.

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2013 and 2012.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from TAS 27 - *Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39 - *Financial Instruments: Recognition and Measurement* or at cost in accordance with TAS 27 - *Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting date the Company has accounted for its associate at fair value based on quoted market price.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2013, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

2.5 Tangible assets

Tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related year.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2.0
Machinery and equipment	3 - 15	6.7 - 33.1
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5	20.0

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Company measured all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less impairment losses if any).

Depreciation is provided on investment properties on a straight line basis. Depreciation period for investment properties is 50 years for buildings and land is not depreciated.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with the "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - *Derivative financial instruments.*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Subsidiaries that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

2.9 Impairment on asset

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each balance sheet date, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "*TAS 36* - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement.*

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As at 31 December 2013 and 2012, the share capital and ownership structure of the Company are as follows:

	31 December 2013		31 December 2012	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	471,323,817	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	64,840,594	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	36,163,765	5.88	36,163,765	5.88
T.C. Başbakanlık Hazine Müsteşarlığı	20,724,061	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	15,310,652	2.49	15,310,652	2.49
Others	6,637,111	1.08	6,637,111	1.08
Paid in capital	**615,000,000**	**100.00**	**615,000,000**	**100.00**

Sources of the capital increases during the year

There is not any capital increase during the current period.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5th year of the Company. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves *(Note 38)*, 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.14 Insurance and investment contracts - classification

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

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As at the reporting date, the Company does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

(1) the performance of a specified pool of contracts or a specified type of contract;

(2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or

(3) the profit or loss of company, fund or other entity that issues the contract.

As of balance sheet date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts with DPF

As of the reporting date, the Company does not have any insurance contracts and investment contracts without DPF.

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.18 Income taxes

Corporate tax

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

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

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2013, the Company has deductible tax losses, amounting to TL 95,828,488 (31 December 2012: 120,750,892 TL).

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on 9 April 2011. Based on this, expiration date has been extended to 8 May 2013 from the expiration date on 8 May 2011. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. Decree of the council of ministers will be published on future and decides on transfer principles.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2013 is TL 3,254 (31 December 2012: TL 3,034).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Discount rate	3.77%	3.77%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	2.00%	2.00%

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as "written premiums, ceded" in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly bordereaux.

Claims paid

Claims paid represent payments of the Company as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognised as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

Interest income and expenses

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying unconsolidated financial statements.

Dividends

Dividend income is recognized when the Company's right to receive payment is ascertained.

2.22 Leasing transaction

As at the reporting date, there is no financial lease contract of the Company.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 28 March 2013, the Company has profit amounting to TL 98,348,818 for 2012, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Company: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for facultative and non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates reserve for unearned premiums for ceded premium as retrocedant on the same basis.

Reserve for unearned premiums is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies with the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after 14 June 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before 14 June 2007.

In previous years, the reserve for unearned premiums had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before 1 January 2008, on 28 December 2007 the Turkish Treasury issued "2007/25 Numbered Circular Related to the Calculation of the Reserve for Unearned Premiums and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before 1 January 2008, but it should be calculated on gross basis for the policies produced after 1 January 2008.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs.

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and 28 July 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of provision for outstanding claims. In these calculations salvage and subrogation income are not considered.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Except for the life branch, provision for outstanding claims consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Turkish Treasury and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Turkish Treasury for reinsurance companies due to their special conditions.

Methods for the calculation of provision for incurred but not reported claims are determined by the Turkish Treasury in the life-branch.

Actuarial chain ladder method ("ACML") calculation is announced by the Turkish Treasury by "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010. There are five methods in the actuarial chain ladder: Standard Chain Ladder, Claim/Premium, Cape Cod, Frequency/Volume and Munich Chain Method.

The methods selected for each branch is provided in the following section. The Company could not perform big claim elimination by Box Plox method whereas New Zealand earthquake claims occurred in February 2011 are eliminated directly.

Branches	31 December 2013	31 December 2012
Fire and natural disasters	Standard Chain Ladder	Standard Chain Ladder
General losses(*)	Standard Chain Ladder	Standard Chain Ladder
General liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Standard Chain Ladder
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Standard Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Legal protection	Standard Chain Ladder	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Breach of trust	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)

(*) Two separate calculation have been made as agriculture and non agriculture subbranches.

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated 6 November 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for third party liability on air and water, breach of trust, financial losses, credit and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Due to characteristics of reinsurance transactions, business period is used rather than accident period in the actuarial chain ladder method and ACML is calculated annually according to claims paid.

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Undersecretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

According to the letter dated 12 January 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Turkish Treasury to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at 31 December 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, provision for outstanding claims and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

In accordance with the temporary articles of the Communiqué on Technical Reserves, companies may use at least 80% and 90% of the result of the IBNR calculated by ACML method or test IBNR for 2010 and 2011, respectively. 100% should be accounted in the financial statements as at 2012 although early implementation of 100% is permitted.

Based on the "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 December 2011, as of the reporting date, negative IBNR balances are considered as 100% instead of 50%.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2013, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

As at the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 3,945,150 (31 December 2012: TL 8,170,590 negative IBNR) as provision for outstanding claims. As at the reporting date, TL 30,299,954 (31 December 2012: TL 21,964,570) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical provisions are recorded based on the data sent by ceding companies.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.27 Reserve for unexpired risk

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; besides the net reserve for unexpired risk detailed in the above, gross reserve for unexpired risk is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

In order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

Calculation of Reserve for unexpired risks is made on the basis of main branches, within the context of circular of Turkish Treasury, numbered 2012/15 and dated 10 December 2012.

As at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 5,895,886 in the accompanying unconsolidated financial statements (31 December 2012: TL 1,576,119).

2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As at the reporting date, the Company has recognized equalization provision amounting to TL 21,791,287 (31 December 2012: TL 18,263,349).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013, the Company has deducted TL 16,738,936 (31 December 2012: TL 13,768,655) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

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

2.30 Earning per share

Earnings per share presented in the income statement are calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations.

2.31 Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.32 New standards and interpretations not yet adopted

As of 31 December 2013, a number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2013. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of TFRS 9 - Financial instruments, revised TFRS 13 "Fair Value Measurement", amended TAS 19 *"Employee Benefits*", TFRS 10 -*Consolidated Financial Statements* and TFRS 12 - *Disclosure of Interests in Other Entities*.

TFRS 9 - *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 - *Financial Instruments: Recognition and Measurement*.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted.

New standards and interpretations not yet adopted and have no effect on the Company's financials

- TAS 32 - Financial Instruments: Presentation - The amendment on the Clarification of Financial Assets and Debts aims to clarify the statement "existence of an available and legal right for clarification of the recognized amounts". Additionally TAS 32 clarifies application areas of settlement systems (such as Exchange bureaus) where gross payment is made and where clarification principle is not implemented simultaneously. Amendments will be applied for the accounting periods starting as from 1 January 2014 retrospectively.

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management*.

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

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

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

Note 2.24 - Reserve for unearned premiums
Note 2.25 - Provision for outstanding claims
Note 2.27 - Reserve for unexpired risks
Note 2.28 - Equalization provision
Note 4.1 - Management of insurance risk
Note 4.2 - Financial risk management
Note 7 - Investment properties
Note 9 - Investments in subsidiaries
Note 10 - Reinsurance assets/liabilities
Note 11 - Financial assets
Note 12 - Loans and receivables
Note 17 - Deferred acquisition costs
Note 21 - Deferred income taxes

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks:

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Insurance risk concentrations

The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

	31 December 2013		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	248,542,653	(25,413,243)	223,129,410
General losses	165,140,883	(1,059,906)	164,080,977
Motor vehicles liability (MTPL)	65,218,442	(61,945)	65,156,497
Motor vehicles	43,757,542	(33,194)	43,724,348
Health	25,227,979	-	25,227,979
Transportation	18,276,519	(1,180,632)	17,095,887
Water vehicles	17,826,378	(1,148,084)	16,678,294
Accident	13,214,751	(359,033)	12,855,718
General responsibility	13,755,012	(634,021)	13,120,991
Life	6,641,402	(44,858)	6,596,544
Breach of trust	413,418	(325)	413,093
Financial losses	392,928	-	392,928
Air crafts	284,046	-	284,046
Credit	206,615	-	206,615
Water vehicles liability	30,025	-	30,025
Legal protection	946	(117)	829
Air crafts liability	1	-	1
Total	**618,929,540**	**(29,935,358)**	**588,994,182**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2012		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	251,515,927	(23,349,322)	228,166,605
General losses	153,398,685	(1,920,748)	151,477,937
Motor vehicles	103,286,776	(16,270)	103,270,506
Motor vehicles liability (MTPL)	82,123,613	(101,592)	82,022,021
Health	60,896,463	(19,013)	60,877,450
Water vehicles	17,977,074	(1,095,436)	16,881,638
Transportation	15,841,689	(846,609)	14,995,080
Accident	15,120,573	(731,263)	14,389,310
General responsibility	12,682,430	(414,282)	12,268,148
Life	6,442,405	(424,101)	6,018,304
Financial losses	879,893	(19,307)	860,586
Air crafts	424,519	-	424,519
Credit	288,187	-	288,187
Breach of trust	198,400	(234)	198,166
Water vehicles liability	55,913	-	55,913
Legal protection	8,444	(243)	8,201
Total	**721,140,991**	**(28,938,420)**	**692,202,571**

(*) Total claims liability includes outstanding claims reserve (paid).

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Company's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Company monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Company's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Company fails to meet its contractual obligations. The Company manages this credit risk by regularly assessing reliability of the counterparties.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Net carrying value of the assets that is exposed to credit risk is shown in the table below.

	31 December 2013	31 December 2012
Cash and cash equivalents *(Note 14)*	603,569,750	677,202,128
Financial assets and financial investments with risks on policyholders *(Note 11)* [(*)]	417,181,634	253,407,116
Receivables from main operations *(Note 12)*	185,157,785	185,066,883
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	12,681,856	30,957,945
Prepaid taxes and funds *(Note 12)*	8,019,284	9,551,587
Income accruals	14,730,323	15,426,591
Other receivables *(Note 12)*	128,059	110,476
Other current asset *(Note 12)*	2,046	1,952
Total	**1,241,470,737**	**1,171,724,678**

[(*)] Equity shares amounting to TL 80,066,465 are not included (31 December 2012: TL 107,413,726).

31 December 2013 ve 2012, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2013		31 December 2012	
	Gross amount	Provision	Gross amount	Provision
Not past due	138,434,104	-	136,658,598	-
Past due 0-30 days	25,620,451	-	25,778,339	-
Past due 31-60 days	4,261,497	-	6,036,368	-
Past due 61-90 days	6,825,834	-	4,349,110	-
More than 90 days	20,933,246	(10,917,347)	21,620,432	(9,375,964)
Total	**196,075,132**	**(10,917,347)**	**194,442,847**	**(9,375,964)**

The movements of the allowances for impairment losses for receivables from main operations during the year are as follows:

	31 December 2013	31 December 2012
Provision for receivables from insurance operations at the beginning of the year	9,375,964	9,836,912
Collections during the period *(Note 47)*	-	-
Foreign currency translation effect *(Note 47)*	1,541,383	(460,948)
Provision for receivables from insurance operations at the end of the year	**10,917,347**	**9,375,964**

The movements of the allowances for impairment losses for other receivables are as follows:

	31 December 2013	31 December 2012
Provision for other receivables at the beginning of the year	232,377	28,088
Collections during the period *(Note 47)*	(177,160)	(56,000)
Impairment losses provided during the period *(Note 47)*	7,960	260,289
Provision for other receivables at the end of the year	**63,177**	**232,377**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Company is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

31 December 2013	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	603,582,774	420,220,531	123,926,029	33,753,280	25,682,934	-
Financial assets (*)	417,181,634	85,377,409	15,811,813	17,756,542	12,179,861	286,056,009
Receivables from main operations	185,157,785	72,987,610	23,909,256	27,698,515	60,562,404	-
Other receivables and current assets	22,879,712	22,786,869	-	-	92,843	-
Total monetary assets	**1,228,801,905**	**601,372,419**	**163,647,098**	**79,208,337**	**98,518,042**	**286,056,009**
Insurance technical provisions (**)	678,707,736	-	-	-	-	678,707,736
Payables arising from main operations	41,083,420	29,554,022	10,115,231	-	1,414,167	-
Provisions for other risks and expense accruals	45,202,427	3,042,211	-	-	-	42,160,216
Other liabilities	312,611	312,611	-	-	-	-
Due to related parties	86,156	86,156	-	-	-	-
Total monetary liabilities	**765,392,350**	**32,995,000**	**10,115,231**	-	**1,414,167**	**720,867,952**

(*) Equity shares amounting to TL 80,066,465 are not included.
(**) Provision for outstanding claims not subject to consistent distribution is presented in the "over 1 year" column.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

31 December 2012	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	677,226,863	413,143,095	218,596,500	26,405,296	19,081,972	-
Financial assets (*)	253,407,116	25,907,242	913,228	4,773,743	75,984,132	145,828,771
Receivables from main operations	185,066,883	62,130,648	29,042,028	12,122,693	81,771,514	-
Other receivables and current assets	25,090,606	25,010,152	-	-	80,454	-
Total monetary assets	**1,140,791,468**	**526,191,137**	**248,551,756**	**43,301,732**	**176,918,072**	**145,828,771**
Insurance technical provisions (**)	619,005,025	-	-	-	-	619,005,025
Provisions for other risks and expense accruals	39,541,847	3,123,239	-	-	-	36,418,608
Payables arising from main operations	36,566,230	30,480,054	5,800,443	18,905	266,828	-
			-	-	-	
Other liabilities	412,535	412,535	-	-	-	-
Due to related parties	121,029	121,029	-	-	-	-
Total monetary liabilities	**695,646,666**	**34,136,857**	**5,800,443**	**18,905**	**266,828**	**655,423,633**

(*) Equity shares amounting to TL 107,413,726 are not included.
(**) Provision for outstanding claims not subject to consistent distribution is presented in the "over 1 year" column.

Market risk

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

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

The Company's exposure to foreign currency risk is as follows:

31 December 2013	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	101,877,706	8,981,554	2,643,156	113,502,416
Financial assets and financial investments with risks on policyholders	6,396,988	9,766,278	-	16,163,266
Receivables from main operations	24,331,458	24,973,302	88,755,682	138,060,442
Total foreign currency assets	**132,606,152**	**43,721,134**	**91,398,838**	**267,726,124**
Liabilities:				
Payables arising from main operations	(6,671,278)	(2,779,974)	(8,683,031)	(18,134,283)
Insurance technical provisions (*)	(111,654,354)	(83,034,438)	(91,490,335)	(286,179,127)
Total foreign currency liabilities	**(118,325,632)**	**(85,814,412)**	**(100,173,366)**	**(304,313,410)**
Net on-balance sheet position	**14,280,520**	**(42,093,278)**	**(8,774,528)**	**(36,587,286)**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

31 December 2012	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	89,551,650	17,174,316	11,826,530	118,552,496
Financial assets and financial investments with risks on policyholders	4,257,009	10,954,110	-	15,211,119
Receivables from main operations	42,608,983	20,088,448	63,298,663	125,996,094
Total foreign currency assets	**136,417,642**	**48,216,874**	**75,125,193**	**259,759,709**
Liabilities:				
Payables arising from main operations	(6,173,861)	(1,243,081)	-	(7,416,942)
Insurance technical provisions (*)	(121,742,091)	(127,742,131)	(63,366,333)	(312,850,555)
Total foreign currency liabilities	**(127,915,952)**	**(128,985,212)**	**(63,366,333)**	**(320,267,497)**
Net on-balance sheet position	**8,501,690**	**(80,768,338)**	**11,758,860**	**(60,507,788)**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	**Euro**	**US Dollar**	**Euro**
31 December 2013	2.1343	2.9365	1.9008	2.5247
31 December 2012	1.7826	2.3517	1.7925	2.2864

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2013 and 2012 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2013		31 December 2012	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	1,428,052	1,428,052	850,169	850,169
Euro	(4,209,328)	(4,209,328)	(8,076,834)	(8,076,834)
Others	(877,453)	(877,453)	1,175,886	1,175,886
Total, net	**(3,658,729)**	**(3,658,729)**	**(6,050,779)**	**(6,050,779)**

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

Exposure to interest rate risk

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at reporting date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2013	31 December 2012
Financial assets with fixed interest rates:	***844,658,993***	***780,632,299***
Cash at banks *(Note 14)*	597,468,011	672,163,460
Available for sale financial assets - Government bonds - TL *(Note 11)*	230,024,992	101,668,131
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	9,094,020	2,543,699
Financial assets held for trading - Eurobonds *(Note 11)*	6,396,988	4,257,009
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	1,674,982	-
Financial assets with variable interest rate:	***84,621,112***	***120,114,266***
Available for sale financial assets - Government bonds- TL *(Note 11)*	38,266,949	83,234,012
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	34,826,959	17,920,805
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	11,527,204	18,959,449
Financial liabilities:	None.	None.

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2013 and 2012 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2013 and 2012. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
31 December 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(13,514)	13,516	(13,514)	13,516
Available for sale financial assets	-	-	(5,144,003)	5,524,843
Total, net	**(13,514)**	**13,516**	**(5,157,517)**	**5,538,359**

	Profit or loss		Equity	
31 December 2012	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(41,386)	41,661	(41,386)	41,661
Available for sale financial assets	-	-	(4,142,134)	4,478,022
Total, net	**(41,386)**	**41,661**	**(4,183,520)**	**4,519,683**

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as whether held for trading purpose or available for sale. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

(Currency: Turkish Lira (TL))

Classification relevant to fair value information

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

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

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

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

Classification requires the utilization of observable market data, if available.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading *(Note 11)*	30,273,915	-	-	30,273,915
Available for sale financial assets *(Note 11)* (*)	457,887,052	4,545,190	-	462,432,242
Subsidiaries *(Note 9)* (**)	381,111,641	-	-	381,111,641
Total financial assets	**869,272,608**	**4,545,190**	-	**873,817,798**

(*) As at 31 December 2013, securities that are not publicly traded amounting to TL 4,541,942 have been measured at cost.
(**) As at 31 December 2013, subsidiaries that are not publicly traded amounting to TL 746,207 have been measured at cost.

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading *(Note 11)*	50,694,431	-	-	50,694,431
Available for sale financial assets *(Note 11)* (*)	304,297,340	1,312,038	-	305,609,378
Subsidiaries *(Note 9)* (**)	329,532,621	-	-	329,532,621
Total financial assets	**684,524,392**	**1,312,038**	**-**	**685,836,430**

(*) As at 31 December 2012, securities that are not publicly traded amounting to TL 4,517,033 have been measured at cost.
(**) As at 31 December 2012, subsidiaries that are not publicly traded amounting to TL 746,207 have been measured at cost.

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2013 and 2012.

	Change in index	31 December 2013	31 December 2012
Market price of equity	10%	45,572,770	42,977,535

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The effect of changes in fair values of the financial assets held for trading on profit or loss that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2013 and 2012.

	Change in index	31 December 2013	31 December 2012
Market price of equity	10%	90,846	265,396

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	31 December 2013	31 December 2012
Interest income from bank deposits	40,231,034	57,108,964
Interest income from debt securities classified as available-for-sale financial assets	21,159,004	23,692,565
Foreign exchange gains	20,774,871	8,333,438
Income from equity shares	15,809,199	21,691,254
Income from derivative transactions	4,345,195	333,499
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	1,974,743	(677,095)
Income from investment funds	(1,697,924)	5,003,424
Interest income from debt securities classified as held for trading financial assets	1,271,828	5,128,233
Interest income from repos	573,560	648,944
Income from subsidiaries	1,925	-
Investment income	**104,443,435**	**121,263,226**
Loss from disposal of financial assets	(9,840,257)	(5,103,243)
Loss from derivative transactions	(6,400,095)	-
Foreign exchange losses	(2,578,350)	(14,645,711)
Investment management expenses (including interest)	(1,472,447)	(390,732)
Investment expenses	**(20,291,149)**	**(20,139,686)**
Investment income, net	**84,152,286**	**101,123,540**

Gains and losses recognized in the statement of equity, net:	31 December 2013	31 December 2012
Fair value changes in available for sale financial assets *(Note 15)*	28,866,361	110,324,061
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(1,974,743)	677,095
Total	**26,891,618**	**111,001,156**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 254,861,165 as at 31 December 2013. As at 31 December 2013 and 2012, the capital amount of the Company presented in the unconsolidated financial statements are TL 702,005,911 and TL 658,397,986, respectively and capital surplus of the Company is amounting to TL 182,385,927 according to the communiqué.

(Currency: Turkish Lira (TL))

5 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

As at 31 December 2013, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effect (*)	Disposals	31 December 2013
Cost:					
Investment properties *(Note 7)*	41,342,839	-	-	-	41,342,839
Owner occupied properties	31,392,945	-	-	-	31,392,945
Furniture and fixtures	3,503,244	131,997	42,786	(137,274)	3,540,753
Motor vehicles	1,215,214	-	63,609	-	1,278,823
	77,454,242	**131,997**	**106,395**	**(137,274)**	**77,555,360**
Accumulated depreciation:					
Investment properties *(Note 7)*	17,884,987	826,855	-	-	18,711,842
Owner occupied properties	11,937,920	627,859	-	-	12,565,779
Furniture and fixtures	2,162,967	368,004	39,443	(126,234)	2,444,180
Motor vehicles	594,796	225,198	19,047	-	839,041
	32,580,670	**2,047,916**	**58,490**	**(126,234)**	**34,560,842**
Carrying amounts	**44,873,572**				**42,994,518**

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in tangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effect (*)	Disposals	31 December 2012
Cost:					
Investment properties *(Note 7)*	41,342,839	-	-	-	41,342,839
Owner occupied properties	31,392,945	-	-	-	31,392,945
Furniture and fixtures	3,356,360	421,429	(15,200)	(259,345)	3,503,244
Motor vehicles	968,401	407,024	(9,016)	(151,195)	1,215,214
	77,060,545	**828,453**	**(24,216)**	**(410,540)**	**77,454,242**
Accumulated depreciation:					
Investment properties *(Note 7)*	17,058,132	826,855	-	-	17,884,987
Owner occupied properties	11,310,062	627,858	-	-	11,937,920
Furniture and fixtures	2,067,632	363,742	(12,728)	(255,679)	2,162,967
Motor vehicles	499,905	223,086	(7,239)	(120,956)	594,796
	30,935,731	**2,041,541**	**(19,967)**	**(376,635)**	**32,580,670**
Carrying amounts	**46,124,814**				**44,873,572**

(*) Foreign currency translation effect resulted from Singapore Branch.

There is not any change in depreciation method in the current period.

There is not any revaluation on tangible assets.

(Currency: Turkish Lira (TL))

Notes to the Unconsolidated Financial Statements as at 31 December 2013

As at 31 December 2013 and 2012, carrying amount and fair value of the Company's operating center building located in Nişantaşı amounting to TL 18,827,166 and TL 19,455,025; respectively. As at 31 December 2013, fair value of building is amounting to TL 78,616,087 according to expert report.

7 Investment properties

As at 31 December 2013, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 41,342,839 (31 December 2012: TL 41,342,839) and TL 22,630,997 (31 December 2012: TL 23,457,852), respectively.

As at 31 December 2013 and 2012, details of investment properties and the fair values are as follows:

	31 December 2013 Carrying amount	31 December 2012 Carrying amount	Date of expertise report	Value of expertise report
Villa Office Block	704,041	741,137	31 December 2013	17,426,560
Suadiye Fitness Center	3,829,252	4,004,665	31 December 2013	12,314,911
Tunaman Garage	1,692,481	1,759,737	31 December 2013	53,955,104
Operating Center Rental Offices	16,405,223	16,952,313	31 December 2013	91,103,449
Carrying amounts	**22,630,997**	**23,457,852**		**174,800,024**

For the year ended 31 December 2013, the Company has rental income from investment properties amounting to TL 10,331,531 (31 December 2012: TL 9,694,494)

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effects (*)	Disposal	31 December 2013
Cost:					
Other intangible assets	2,105,443	52,861	215,086	-	2,373,390
	2,105,443	**52,861**	**215,086**	**-**	**2,373,390**
Accumulated amortization:					
Other intangible assets	1,363,119	89,443	215,029	-	1,667,591
	1,363,119	**89,443**	**215,029**	**-**	**1,667,591**
Carrying amounts	**742,324**				**705,799**

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effects (*)	Disposal	31 December 2012
Cost:					
Other intangible assets	2,046,157	137,397	(65,010)	(13,101)	2,105,443
	2,046,157	**137,397**	**(65,010)**	**(13,101)**	**2,105,443**
Accumulated amortization:					
Other intangible assets	1,329,357	110,963	(64,100)	(13,101)	1,363,119
	1,329,357	**110,963**	**(64,100)**	**(13,101)**	**1,363,119**
Carrying amounts	**716,800**				**742,324**

(*) Foreign currency translation effect resulted from Singapore Branch.

(Currency: Turkish Lira (TL))

9 Investments in associates

	31 December 2013		31 December 2012	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Sigorta	381,111,641	57.31	329,532,621	57.31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	746,207	77.00	746,207	77.00
Subsidiaries, net	**381,857,848**		**330,278,828**	
Financial asset total	**381,857,848**		**330,278,828**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	3,946,975	3,643,670	1,896	22,067	Not audited	31 December 2013
Anadolu Sigorta (*)	2,992,598,858	652,844,666	(48,878,904)	66,403,111	Audited	31 December 2013

(*) As at 31 December 2013, consolidated financial information of Anadolu Sigorta has been presented.

10 Reinsurance asset and liabilities

As at 31 December 2013 and 2012, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2013	31 December 2012
Cash deposited to reinsurance companies	19,096,456	19,579,269
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	12,681,856	30,957,945
Receivables from reinsurance companies *(Note 12)*	16,218,921	24,928,259
Reserve for unearned premiums, ceded *(Note 17)*	6,368,822	6,304,078
Total	**54,366,055**	**81,769,551**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2013	31 December 2012
Deferred commission income *(Note 19)*	372,409	934,576
Total	**372,409**	**934,576**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Gains and losses recognized in the statement of income in accordance with existing retrocedant contracts are as follows:

	31 December 2013	31 December 2012
Premiums ceded during the period *(Note 17)*	(126,125,413)	(103,520,733)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(6,304,078)	(10,425,185)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	6,368,822	6,304,078
Premiums earned, ceded *(Note 17)*	**(126,060,669)**	**(107,641,840)**
Claims paid, ceded during the period *(Note 17)*	29,935,358	28,938,420
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(30,957,945)	(39,326,332)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	12,681,856	30,957,945
Claims incurred, ceded *(Note 17)*	**11,659,269**	**20,570,033**
Commission income accrued from reinsurers during the period *(Note 32)*	1,490,245	2,361,093
Deferred commission income at the beginning of the period *(Note 19)*	934,576	819,526
Deferred commission income at the end of the period *(Note 19)*	(372,409)	(934,576)
Commission income earned from reinsurers *(Note 32)*	**2,052,412**	**2,246,043**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**322**	**(1,823,617)**
Total, net	**(112,348,666)**	**(86,649,381)**

11 Financial assets

As at 31 December 2013 and 2012, the Company's financial assets are detailed as follows:

	31 December 2013	31 December 2012
Financial assets held for trading	30,273,915	50,694,431
Available for sale financial assets	466,974,184	310,126,411
Total	**497,248,099**	**360,820,842**

As at 31 December 2013 and 2012, the Company's financial assets held for trading are detailed as follows:

	31 December 2013			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	13,090,000	13,104,069	13,202,186	13,202,186
Eurobonds issued by Private sector	3,075,000	4,745,106	6,396,988	6,396,988
		17,849,175	**19,599,174**	**19,599,174**
Non-fixed income financial assets:				
Equity shares		2,129,282	908,463	908,463
Investment funds and forward transaction and option market contracts - TL		-	-	-
Investment funds and forward transaction and option market contracts - FC		7,743,600	9,766,278	9,766,278
		9,872,882	**10,674,741**	**10,674,741**
Total financial assets held for trading		**27,722,057**	**30,273,915**	**30,273,915**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	18,380,000	18,399,952	18,959,449	18,959,449
Eurobonds issued by Private sector	2,300,000	3,395,963	4,257,009	4,257,009
		21,795,915	**23,216,458**	**23,216,458**
Non-fixed income financial assets:				
Equity shares		3,218,757	2,653,962	2,653,962
Investment funds - TL		13,000,000	13,869,901	13,869,901
Investment funds - FC		7,743,600	10,954,110	10,954,110
		23,962,357	**27,477,973**	**27,477,973**
Total financial assets held for trading		**45,758,272**	**50,694,431**	**50,694,431**

As at 31 December 2013 and 2012, the Company's available for sale financial assets are as follows:

	31 December 2013			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	260,542,235	265,962,105	268,291,941	268,291,941
Private sector bonds - TL	43,421,032	43,402,220	43,920,979	43,920,979
		309,364,325	**312,212,920**	**312,212,920**
Non-fixed income financial assets:				
Equity shares		48,180,838	79,158,002	79,158,002
Investment funds		78,003,573	75,603,262	75,603,262
		126,184,411	**154,761,264**	**154,761,264**
Total available-for-sale financial assets		**435,548,736**	**466,974,184**	**466,974,184**

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	165,696,582	172,742,154	184,902,143	184,902,143
Private sector bonds - TL	20,218,073	20,048,334	20,464,504	20,464,504
		192,790,488	**205,366,647**	**205,366,647**
Non-fixed income financial assets:				
Equity shares		71,450,070	104,759,764	104,759,764
		71,450,070	**104,759,764**	**104,759,764**
Total available-for-sale financial assets		**264,240,558**	**310,126,411**	**310,126,411**

All debt instruments presented above are traded in the capital markets. As at 31 December 2013, equity shares classified as available for sale financial assets with a carrying amount of TL 4,541,942 are not publicly traded (31 December 2012: TL 4,517,033).

There is no debt security issued during the period or issued before and paid during the period by the Company.

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase/(decrease)	Total increase/(decrease) in value
2013	26,891,618	25,630,918
2012	111,001,156	(1,260,700)
2011	(166,766,456)	(112,261,856)

Details of the financial assets issued by related parties of the Company's are as follows:

	31 December 2013			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets - Private sector bonds	5,320,000	5,320,000	5,405,505	5,405,505
Financial assets held for trading - Investment funds		7,743,600	9,766,278	9,766,278
Available for sale financial assets - Investment funds		78,003,573	75,603,262	75,603,262
Available for sale financial assets - Equity shares		39,788,176	71,280,097	71,280,097
Total		**130,855,349**	**162,055,142**	**162,055,142**

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets - Private sector bonds	9,470,000	9,470,000	9,543,794	9,543,794
Financial assets held for trading - Investment funds		20,743,600	24,824,011	24,824,011
Available for sale financial assets - Equity shares		35,068,846	67,292,597	67,292,597
Total		**65,282,446**	**101,660,402**	**101,660,402**

As at 31 December 2013 and 2012, the movement of the financial assets is presented below:

	31 December 2013		
	Trading	Available-for-Sale	Total
Balance at the beginning of the period	**50,694,431**	**310,126,411**	**360,820,842**
Unrealized exchange differences on financial assets	3,346,055	-	3,346,055
Acquisitions during the period	20,491,380	497,223,002	517,714,382
Disposals (sale and redemption)	(40,543,020)	(330,538,945)	(371,081,965)
Change in the fair value of financial assets	(3,714,931)	13,981,232	10,266,301
Change in amortized cost of the financial assets	-	(28,742,000)	(28,742,000)
Bonus shares acquired	-	4,924,484	4,924,484
Balance at the end of the period	**30,273,915**	**466,974,184**	**497,248,099**

	31 December 2012		
	Trading	Available-for-Sale	Total
Balance at the beginning of the period	**85,950,860**	**220,587,319**	**306,538,179**
Unrealized exchange differences on financial assets	(628,171)	-	(628,171)
Acquisitions during the period	21,309,949	499,667,216	520,977,165
Disposals (sale and redemption)	(65,185,987)	(460,929,345)	(526,115,332)
Change in the fair value of financial assets	9,247,780	6,829,980	16,077,760
Change in amortized cost of the financial assets	-	37,873,389	37,873,389
Bonus shares acquired	-	6,097,852	6,097,852
Balance at the end of the period	**50,694,431**	**310,126,411**	**360,820,842**

(Currency: Turkish Lira (TL))

12 Loans and receivables

	31 December 2013	31 December 2012
Receivables from main operations *(Note 4.2)*	185,157,785	185,066,883
Prepaid taxes and funds *(Note 19)*	8,019,284	9,551,587
Other receivables *(Note 4.2)*	128,059	110,476
Other current asset	2,046	1,952
Total	**193,307,174**	**194,730,898**
Short-term receivables	193,307,174	194,730,898
Medium and long-term receivables	-	-
Total	**193,307,174**	**194,730,898**

As at 31 December 2013 and 2012, receivables from main operations are detailed as follows:

	31 December 2013	31 December 2012
Receivables from insurance companies	49,529,434	46,710,143
Receivables from agencies, brokers and intermediaries	39,071,853	43,088,018
Receivables from reinsurance companies *(Note 10)*	16,218,921	24,928,259
Total receivables from insurance operations, net	**104,820,208**	**114,726,420**
Cash deposited to insurance and reinsurance companies	80,337,577	70,340,463
Doubtful receivables from main operations	10,917,347	9,375,964
Provision for doubtful receivables from main operations	(10,917,347)	(9,375,964)
Receivables from main operations	**185,157,785**	**185,066,883**

As at 31 December 2013 and 2012, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2013	31 December 2012
Letters of guarantees	4,547,054	3,159,911
Mortgage notes	2,041	2,041
Total	**4,549,095**	**3,161,952**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 10,917,347 for main operations (31 December 2012: TL 9,375,964) and TL 63,177 (31 December 2012: TL 232,377) for other receivables.

b) Provision for premium receivables (due): None (31 December 2012: None)

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 - *Related party transactions.*

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2- Financial risk management.*

13 Derivative financial assets

As at 31 December 2013 and 2012, the Company does not have derivative financial instruments.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

14 Cash and cash equivalents

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

	31 December 2013		31 December 2012	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	13,024	24,735	24,735	14,067
Bank deposits	603,569,750	677,202,128	677,202,128	582,272,771
Cash and cash equivalents in the balance sheet	**603,582,774**	**677,226,863**	**677,226,863**	**582,286,838**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(85,071,502)	(316,005,626)	(316,005,626)	(57,151,184)
Interest accruals on bank deposits	(1,488,436)	(2,357,988)	(2,357,988)	(2,160,164)
Cash and cash equivalents presented in the statement of cash flows	**517,022,336**	**358,862,749**	**358,862,749**	**522,974,990**

As at 31 December 2013 and 2012, bank deposits are further analyzed as follows:

	31 December 2013	31 December 2012
Foreign currency denominated bank deposits		
- time deposits	107,411,745	113,609,701
- demand deposits	6,085,663	4,930,531
Bank deposits in Turkish Lira		
- time deposits	490,056,266	558,553,759
- demand deposits	16,076	108,137
Cash at banks	**603,569,750**	**677,202,128**

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2013 and 2012, the shareholding structure of the Company is presented below:

	31 December 2013		31 December 2012	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	471,323,817	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	64,840,594	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	36,163,765	5.88	36,163,765	5.88
T.C. Başbakanlık Hazine Müsteşarlığı	20,724,061	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	15,310,652	2.49	15,310,652	2.49
Other	6,637,111	1.08	6,637,111	1.08
Paid in Capital	**615,000,000**	**100.00**	**615,000,000**	**100.00**

As at 31 December 2013, the issued share capital of the Company is TL 615,000,000 (31 December 2012: TL 615,000,000) and the share capital of the Company consists of 61,500,000,000 (31 December 2012: 61,500,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Company.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5th year of the Company. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves *(Note 38)*, 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves at the beginning of the period	**49,622,694**	**49,622,694**
Transfer from 2012/2011 profit	-	-
Legal reserves at the end of the period	**49,622,694**	**49,622,694**

As at 31 December 2013 and 2012, "Other Reserves and Retained Earnings" includes only extraordinary reserves.

Extraordinary Reserves

The movement of extraordinary reserves is as follows:

	31 December 2013	31 December 2012
Extraordinary reserves at the beginning of the period	**5,512,899**	**5,512,899**
Transfer from profit	-	-
Extraordinary reserves at the end of the period	**5,512,899**	**5,512,899**

Other capital reserves

As of 31 December 2013, in accordance with the revision of TAS 19 TL (265,270) of actuarial gains and losses, which are presented in profit or loss is presented under "other capital reserves".

Movement of other profit reserves is presented below:

	31 December 2013	31 December 2012
Other profit reserves at the beginning of the period	-	-
Actuarial gains/losses	(265,270)	-
Other profit reserves at the end of the period	**(265,270)**	-

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2013, total amount of statutory reserves allocated as mentioned method is TL 39,500,000 (31 December 2012: TL 39,500,000).

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2013, foreign currency translation loss amounting to TL 9,246,073 (31 December 2012: TL 3,588,736 loss) stems from Singapore Branch whose functional currency is US Dollars.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Valuation of financial assets

As at 31 December 2013 and 2012, movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2013	31 December 2012
Fair value reserves at the beginning of the period	**(1,260,700)**	**(112,261,856)**
Change in the fair value during the period *(Note 4.2)*	34,780,063	134,341,612
Deferred tax effect	(6,308,651)	(23,882,132)
Net gains transferred to the statement of income *(Note 4.2)*	(1,974,743)	677,095
Deferred tax effect	394,949	(135,419)
Fair value reserves at the end of the period	**25,630,918**	**(1,260,700)**

16 Other reserves and equity component of DPF

As at 31 December 2013 and 2012, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2013 and 2012, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 - *Summary of significant accounting policies.*

As at 31 December 2013 and 2012, technical reserves of the Company are as follows:

	31 December 2013	31 December 2012
Reserve for unearned premiums, gross	356,231,478	393,337,225
Reserve for unearned premiums, ceded *(Note 10)*	(6,368,822)	(6,304,078)
Reserves for unearned premiums, net	**349,862,656**	**387,033,147**
Provision for outstanding claims, gross	691,389,592	649,962,970
Provision for outstanding claims, ceded *(Note 10)*	(12,681,856)	(30,957,945)
Provision for outstanding claims, net	**678,707,736**	**619,005,025**
Reserve for unexpired risks, gross	5,896,463	1,576,374
Reserve for unexpired risks, ceded *(Note 10)*	(577)	(255)
Reserve for unexpired risks, net	**5,895,886**	**1,576,119**
Equalization provision, net	**21,791,287**	**18,263,349**
Life mathematical provisions	**641,636**	**1,020,079**
Total technical provisions, net	**1,056,899,201**	**1,026,897,719**
Short-term	1,035,107,914	1,008,634,370
Medium and long-term	21,791,287	18,263,349
Total technical provisions, net	**1,056,899,201**	**1,026,897,719**

(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2013		
Reserve for unearned premiums	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	393,337,225	(6,304,078)	387,033,147
Premiums written during the period	925,151,498	(126,125,413)	799,026,085
Premiums earned during the period	(962,257,245)	126,060,669	(836,196,576)
Reserve for unearned premiums at the end of the period	**356,231,478**	**(6,368,822)**	**349,862,656**

	31 December 2012		
Reserve for unearned premiums	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	413,348,322	(10,425,185)	402,923,137
Premiums written during the period	1,030,780,980	(103,520,733)	927,260,247
Premiums earned during the period	(1,050,792,077)	107,641,840	(943,150,237)
Reserve for unearned premiums at the end of the period	**393,337,225**	**(6,304,078)**	**387,033,147**

	31 December 2013		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	649,962,970	(30,957,945)	619,005,025
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	660,356,162	(11,659,269)	648,696,893
Claims paid during the period	(618,929,540)	29,935,358	(588,994,182)
Provision for outstanding claims at the end of the period	**691,389,592**	**(12,681,856)**	**678,707,736**

	31 December 2012		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	631,050,815	(39,326,332)	591,724,483
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	740,053,146	(20,570,033)	719,483,113
Claims paid during the period	(721,140,991)	28,938,420	(692,202,571)
Provision for outstanding claims at the end of the period	**649,962,970**	**(30,957,945)**	**619,005,025**

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Company.

Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

(Currency: Turkish Lira (TL))

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2013, short-term deferred expenses amounting to TL 87,498,692 (31 December 2012: TL 102,260,739) totally consist of deferred commission expenses.

As at 31 December 2013 and 2012, the movement of deferred commission expenses is presented below:

	31 December 2013	31 December 2012
Deferred commission expenses at the beginning of the period	102,260,739	94,680,589
Commissions accrued during the period *(Note 32)*	211,953,982	234,177,910
Commissions expensed during the period *(Note 32)*	(226,716,029)	(226,597,760)
Deferred commission expenses at the end of the period	**87,498,692**	**102,260,739**

(Currency: Turkish Lira (TL))

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2013	31 December 2012
Payables arising from reinsurance operations	41,083,420	36,566,230
Short/long term deferred income and expense accruals	3,519,550	4,201,902
Taxes and other liabilities and similar obligations	1,156,680	897,529
Due to related parties *(Note 45)*	86,156	412,535
Other payables	312,611	121,029
Total	**46,158,417**	**42,199,225**
Short-term liabilities	46,158,417	42,182,558
Long-term liabilities	-	16,667
Total	**46,158,417**	**42,199,225**

As at 31 December 2013 and 2012, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 372,409 (31 December 2012: TL 934,576).

As at 31 December 2013 TL 3,042,211 (31 December 2012: TL 3,123,239) of short/long term deferred income and expense accruals is composed by mainly personnel premium and profit distribution accruals.

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2013	31 December 2012
Taxes paid during the year	(8,019,284)	(9,551,587)
Corporate tax liabilities	-	-
Prepaid assets, net *(Note 12)*	**(8,019,284)**	**(9,551,587)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None

20 Financial liabilities

None (31 December 2012: None).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

21 Deferred Taxes

As at 31 December 2013 and 2012, deferred tax assets and liabilities are attributable to the following:

	31 December 2013	31 December 2012
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Deferred tax effect of current period tax losses	19,165,698	25,185,010
Provision for the pension fund deficits	7,263,205	6,219,079
Income accruals	(2,946,065)	(3,085,318)
Valuation differences in subsidiaries	(1,721,655)	8,116,381
Reserve for unexpired risks	1,179,024	315,224
Provisions for employee termination benefits	1,168,838	1,064,643
Equalization provision	360,459	175,666
Provision for doubtful receivables	277,378	231,673
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(225,983)	(209,524)
Valuation differences in financial assets	216,935	(907,645)
Discount of receivables and payables	(27,475)	(115,710)
Deferred tax assets, net	**24,710,359**	**36,989,479**

As at 31 December 2013, the Company has deductible tax losses presented below with maturities and amounts in detail. The Company has recognised deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Company's projections.

	31 December 2013
31 December 2016	95,828,488
Deductible tax losses	**95,828,488**

Movement of deferred tax assets as at 31 December 2013 and 2012 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2013	31 December 2012
Opening balance at 1 January	**36,989,479**	**78,191,494**
Recognised in profit or loss	(6,036,785)	(17,319,883)
Recognised in equity	(6,242,335)	(23,882,132)
Closing balance at 31 December	**24,710,359**	**36,989,479**

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 36,316,026 (31 December 2012: TL 31,095,395) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2013 and 2012, technical deficit from pension funds comprised the following:

	31 December 2013	31 December 2012
Net present value of total liabilities other than health	(75,085,832)	(68,578,765)
Net present value of insurance premiums	14,130,474	13,312,832
Net present value of total liabilities other than health	**(60,955,358)**	**(55,265,933)**
Net present value of health liabilities	(12,130,190)	(10,967,935)
Net present value of health premiums	7,744,271	7,295,668
Net present value of health liabilities	**(4,385,919)**	**(3,672,267)**
Pension fund assets	**29,025,251**	**27,842,805**
Amount of actuarial and technical deficit	**(36,316,026)**	**(31,095,395)**

Plan assets are comprised of the following items:

	31 December 2013	31 December 2012
Properties	18,270,000	17,680,000
Cash and cash equivalents	3,658,902	5,469,413
Associates	6,995,082	4,556,404
Securities portfolio	4,786	4,786
Other	96,481	132,202
Total plan assets	**29,025,251**	**27,842,805**

23 Provision for other liabilities and charges

As at 31 December 2013 and 2012; the provisions for other risks are disclosed as follows:

	31 December 2013	31 December 2012
Provision for pension fund deficits *(Note 22)*	**36,316,026**	**31,095,395**
Provision for employee termination benefits	**5,844,190**	**5,323,213**
Total provision for other risks	**42,160,216**	**36,418,608**

Movement of provision for employee termination benefits during the period is presented below:

	31 December 2013	31 December 2012
Provision at the beginning of the period	5,323,213	4,588,628
Interest cost *(Note 47)*	385,213	338,556
Service cost *(Note 47)*	366,258	338,541
Payments during the period *(Note 47)*	(562,080)	(427,805)
Actuarial differences *(Note 47)*	331,586	485,293
Provision at the end of the period	**5,844,190**	**5,323,213**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

24 Net insurance premium

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying unconsolidated statement of income.

25 Fee revenue

None

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*

28 Asset held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

29 Insurance rights and claims

	31 December 2013		31 December 2012	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,596,545)	(582,397,637)	(6,018,305)	(686,184,266)
Changes in provision for outstanding claims, net off reinsurers' share	(407,807)	(59,294,904)	(326,893)	(26,953,649)
Changes in reserve for unearned premium, net off reinsurers' share	(389,342)	37,559,833	344,181	15,545,809
Changes in reserve for unexpired risks, net off reinsurers' share	-	(4,319,767)	-	67,333,685
Change in equalization provision, net off reinsurers' share	(265,425)	(3,262,513)	(252,279)	(3,640,558)
Change in life mathematical provisions, net off reinsurers' share	378,443	-	357,622	-
Total	**(7,280,676)**	**(611,714,988)**	**(5,895,674)**	**(633,898,979)**

30 Investment contract benefits

None

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

32 Operating expenses

As at and for the years ended 31 December 2013 and 2012, the operating expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Commission expenses *(Note 17)*	9,126,591	217,589,438	7,330,952	219,266,808
Commissions to the intermediaries accrued during the period (Note 17)	*9,243,376*	*202,710,606*	*7,235,972*	*226,941,938*
Changes in deferred commission expenses (Note 17)	*(116,785)*	*14,878,832*	*94,980*	*(7,675,130)*
Employee benefit expenses *(Note 33)*	847,224	30,195,955	827,918	28,347,207
Foreign exchange losses	130,722	22,447,446	87,332	17,272,937
Administration expenses	20,922	7,541,137	30,710	6,715,863
Commission income from reinsurers *(Note 10)*	(66,285)	(1,986,127)	(93,781)	(2,152,262)
Commission income from reinsurers accrued during the period (Note 10)	*(88,165)*	*(1,402,080)*	*(89,453)*	*(2,271,640)*
Change in deferred commission income (Note 10)	*21,880*	*(584,047)*	*(4,328)*	*119,378*
Outsourced benefits and services	-	648,828	-	642,733
Other	5	7,794,530	40	6,887,788
Total	**10,059,179**	**284,231,207**	**8,183,171**	**276,981,074**

33 Employee benefit expenses

As at and for the years ended 31 December 2013 and 2012, employee benefit expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Wages and salaries	543,890	22,167,861	659,698	20,311,410
Employer's share in social security premiums	87,881	4,890,202	103,623	4,593,417
Pension fund benefits	215,453	3,137,892	64,597	3,442,380
Total *(Note 32)*	**847,224**	**30,195,955**	**827,918**	**28,347,207**

34 Financial costs

Finance costs of the period are presented in "Note 4.2 - *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the unconsolidated statement of income.

35 Income tax expense

Income tax expense in the accompanying financial statements is as follows:

	31 December 2013	31 December 2012
Corporate tax expense:		
Corporate tax provision	-	-
Deferred taxes:		
Origination and reversal of temporary differences	(6,036,785)	(17,319,883)
Total income tax expense/(income)	**(6,036,785)**	**(17,319,883)**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
Profit/(loss) before taxes	**28,675,699**	**Tax rate (%)**	**115,668,701**	**Tax rate (%)**
Taxes on income per statutory tax rate	5,735,140	20.00	23,133,740	20.00
Tax exempt income	(1,842,303)	(6.42)	(1,704,485)	(1.47)
Prior period foreign branch financial losses recognized in current year deferred tax	-	-	(4,345,240)	(3.76)
Non-deductible expenses	2,143,948	7.48	235,868	0.20
Total tax expense recognized in profit or loss	**6,036,785**	**21.06**	**17,319,883**	**14.97**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing net profit of the year to the weighted average number of shares.

	31 December 2013	31 December 2012
Net profit/(loss) for the period	22,638,914	98,348,818
Weighted average number of shares	61,500,000,000	61,500,000,000
Earnings/(loss) per share (TL)	0.00037	0.00160

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Other legal reserves cannot be divided, profit cannot be transferred to next year and share of profit cannot be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

As a result of the Ordinary General Meeting of the Company held on 28 March 2013, the Company has profit amounting to TL 98,348,818 for 2012, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying unconsolidated statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

"Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Milli Reasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties.

As of the report date, the Company has not reserved provision for related tax assessments, because there is not any certain case (31 December 2012: None).

43 Commitments

In the normal course of its operations, the Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

TL commitments	31 December 2013	31 December 2012
Within one year	354,413	306,429
Between two to five years	-	306,429
More than 5 years	-	-
Total of minimum rent payments	**354,413**	**612,858**

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

45 Related party transactions

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

The related party balances as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Türkiye İş Bankası A.Ş.	424,898,538	261,860,771
T.C. Ziraat Bankası A.Ş.	-	74,547,309
Other	103	713
Banks	**424,898,641**	**336,408,793**
Equity shares of the related parties	71,280,097	67,292,597
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	61,658,497	8,803,200
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	13,944,765	5,066,701
Investment funds founded by İşbank GmbH *(Note 11)*	9,766,278	10,954,110
Bonds issued by İş Finansal Kiralama A.Ş. *(Note 11)*	5,405,505	524,342
Bonds issued by İş Bankası A.Ş. *(Note 11)*	-	9,019,452
Financial assets	**162,055,142**	**101,660,402**
Axa Sigorta A.Ş.	7,348,938	233,841
Anadolu Sigorta	5,441,770	42,889
Allianz Sigorta A.Ş.	2,334,720	1,147,259
Ziraat Sigorta A.Ş.	914,258	-
Ziraat Hayat ve Emeklilik	631,966	-
Groupama Sigorta A.Ş.	529,594	-
Anadolu Hayat Emeklilik A.Ş.	114,048	123,852
İstanbul Umum Sigorta A.Ş.	89,576	76,182
Ergo Sigorta A.Ş.	18,245	18,245
Receivables from main operations	**17,423,115**	**1,642,268**
Due to shareholders	72,450	72,450
Due to other related parties	13,706	48,579
Due to related parties	**86,156**	**121,029**
Ergo Sigorta A.Ş.	6,290,123	5,887,219
Güven Sigorta T.A.Ş.	746,997	457,086
Groupama Sigorta A.Ş.	57,003	441,295
Axa Sigorta A.Ş.	52,740	49,762
İstanbul Umum Sigorta A.Ş.	41,830	39,554
Allianz Sigorta A.Ş.	37,892	37,236
AvivaSa Emeklilik A.Ş.	372	-
Anadolu Sigorta	-	10,681,643
Payables from main operations	**7,226,957**	**17,593,795**

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The transactions with related parties during the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Anadolu Sigorta	79,126,226	81,739,057
Axa Sigorta A.Ş.	40,679,330	36,830,622
Allianz Sigorta A.Ş.	29,752,319	25,933,759
Ergo Sigorta A.Ş.	20,126,753	32,774,685
Groupama Sigorta A.Ş.	9,227,875	7,800,594
Ziraat Sigorta A.Ş.	6,668,139	-
Ziraat Hayat ve Emeklilik	2,236,068	-
Anadolu Hayat Emeklilik A.Ş.	777,148	1,040,773
AvivaSa Emeklilik A.Ş.	147,535	614,282
Güven Sigorta T.A.Ş.	36	87
Premiums received	**188,741,429**	**186,733,859**
Anadolu Sigorta	199,994	77,047
Ergo Sigorta A.Ş.	12,818	50,790
Groupama Sigorta A.Ş.	3,615	17,606
Axa Sigorta A.Ş.	1,816	10,434
Güven Sigorta T.A.Ş.	591	3,332
Allianz Sigorta A.Ş.	18	57
İstanbul Umum Sigorta A.Ş.	4	4
Premiums ceded	**218,856**	**159,270**
Ergo Sigorta A.Ş.	1,721	16,763
Anadolu Sigorta	1,422	32,636
Allianz Sigorta A.Ş.	2	4
Güven Sigorta T.A.Ş.	(377)	2,764
Axa Sigorta A.Ş.	(968)	7,265
Groupama Sigorta A.Ş.	(2,096)	15,728
Commissions received	**(296)**	**75,160**
Anadolu Sigorta	12,937,882	19,355,996
Axa Sigorta A.Ş.	7,453,799	6,811,293
Allianz Sigorta A.Ş.	7,208,680	6,401,483
Ergo Sigorta A.Ş.	3,206,199	8,165,773
Ziraat Sigorta A.Ş.	1,584,204	-
Groupama Sigorta A.Ş.	1,569,297	1,486,282
Anadolu Hayat Emeklilik A.Ş.	293,709	231,115
AvivaSa Emeklilik A.Ş.	116,677	375,709
Güven Sigorta T.A.Ş.	(16,700)	67,137
Commissions given	**34,353,747**	**42,894,788**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2013	31 December 2012
Anadolu Sigorta	32,251,600	64,186,324
Axa Sigorta A.Ş.	29,923,899	40,265,158
Ergo Sigorta A.Ş.	18,813,359	32,858,939
Allianz Sigorta A.Ş.	10,687,045	14,010,468
Groupama Sigorta A.Ş.	5,083,342	6,244,647
Ziraat Sigorta A.Ş.	3,127,877	-
Ziraat Hayat ve Emeklilik	1,447,702	-
Güven Sigorta T.A.Ş.	1,255,493	1,173,115
Anadolu Hayat Emeklilik A.Ş.	125,444	208,621
AvivaSa Emeklilik A.Ş.	97,033	28,695
Claims paid	**102,812,794**	**158,975,967**
Anadolu Sigorta	274,548	379,280
Groupama Sigorta A.Ş.	164,896	197,390
Axa Sigorta A.Ş.	118,737	110,320
Ergo Sigorta A.Ş.	75,352	129,934
Güven Sigorta T.A.Ş.	62,798	59,022
İstanbul Umum Sigorta A.Ş.	15,759	11,393
Allianz Sigorta A.Ş.	12,111	8,849
Reinsurance's share of claims paid	**724,201**	**896,188**
Axa Sigorta A.Ş.	1,422,610	132,307
Ergo Sigorta A.Ş.	612,076	88,524
Anadolu Sigorta	322,750	-
Allianz Sigorta A.Ş.	136,473	154,583
Groupama Sigorta A.Ş.	134,495	6,920
Ziraat Sigorta A.Ş.	24,875	-
Anadolu Hayat Emeklilik A.Ş.	2,869	784
AvivaSa Emeklilik A.Ş.	122	313
Other income	**2,656,270**	**383,431**
Ergo Sigorta A.Ş.	323,749	397,072
Axa Sigorta A.Ş.	254,596	752,758
Allianz Sigorta A.Ş.	82,705	323,688
Groupama Sigorta A.Ş.	22,614	79,396
Anadolu Sigorta	10,251	721,041
Ziraat Sigorta A.Ş.	5,750	-
Ziraat Hayat ve Emeklilik	2,331	-
Anadolu Hayat Emeklilik A.Ş.	465	3,958
AvivaSa Emeklilik A.Ş.	16	79
Other expenses	**702,477**	**2,277,992**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events.*

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None

Subrogation recorded in "Off-Balance Sheet Accounts"

None

Real rights on immovable and their values

None

Explanatory note for the amounts and nature of previous years' income and losses

None

As at and for the year ended 31 December 2013 and 2012, details of rediscount and provision expenses are as follows:

Provision Expenses	31 December 2013	31 December 2012
Provision for pension fund deficits	(5,220,631)	(5,925,148)
Provision expenses for doubtful receivables (*)	(1,372,183)	256,659
Provision for employee termination benefits *(Note 23)*	(189,391)	(734,585)
Other	1,798	(1)
Provisions	**(6,780,407)**	**(6,403,075)**

(*) Provision income stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL (1,541,383) and provision expense on doubtful receivables from other receivables amounting to TL 169,200.

	31 December 2013	31 December 2012
Rediscount income/(expense) from reinsurance receivables	1,350	(419,487)
Rediscount income/(expense) from reinsurance payables	25,646	272,434
Total of rediscounts	**26,996**	**(147,053)**

Consolidated Financial Statements Together with Independent Auditors' Report Thereon

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Information on Consolidated Subsidiaries

Anadolu Anonim Türk Sigorta Şirketi

Active in the business of insurance and reinsurance in non-life branches, Anadolu Sigorta was founded on 1925 at the initiative of Atatürk and under the leadership of İşbank, Turkey's first national bank.

Pioneering its sector ever since it was founded, Anadolu Sigorta is committed to offering only high-quality products and services and to ensuring their sustainability with its expert and experienced staff, solid financial basis and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

Anadolu Sigorta's shares are quoted on the Borsa İstanbul (BİST) National Market under the symbol "ANSGR". The major shareholder of Anadolu Sigorta is Millî Reasürans with its 57.3% share, and 48% of the Company is open to public.

Headquartered in İstanbul, Anadolu Sigorta brings its products to its customers via regional offices in İstanbul (2), Ankara, Adana, Antalya, Bursa, Samsun, Trabzon, and İzmir, a branch in the Turkish Republic of Northern Cyprus, and nearly 2,750 agencies.

Anadolu Sigorta uses the bank branches within the bancassurance network as fundamental element of its service delivery in Turkey. Together with all İşbank branches, Türkiye Sınai Kalkınma Bankası, Arap Türk Bankası, Alternatifbank, Albaraka Türk Katılım Bankası, Aktif Yatırım Bankası, and Finansbank branches are serving as Anadolu Sigorta agencies.

In 2013, Anadolu Sigorta expanded its total premium production by 23% year-on-year to TL 2,750 million and controlled a 13.2% share of the overall market among non-life companies.

Anadolu Sigorta registered its highest premium production in the Motor Vehicles branch with TL 812 million, followed by Motor Vehicles Liability with TL 703 million in 2013. Trailing these two branches, in order, were Fire and Natural Disasters with TL 463 million, General Losses with TL 250 million, Illness/Health with TL 229 million, and General Liability with TL 81 million.

Total unconsolidated assets of Anadolu Sigorta were up 30.2% year-to-year and reached TL 3,252 million at year end 2013 while its shareholders' equity registered TL 913 million with 20.7% increase. Posting TL 67.4 million in unconsolidated gross profit, the Company successfully reached its target of 2013 in terms of sustainable profitability.

Independent Auditors' Report

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Introduction

We have audited the accompanying consolidated balance sheet of Milli Reasürans Türk Anonim Şirketi ("the Company") and its subsidiary (together "the Group") as at 31 December 2013 and the related consolidated statements of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles and standards in force as per the insurance legislation. This responsibility includes: designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Milli Reasürans Türk Anonim Şirketi and its subsidiary as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

İstanbul, 20 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Alper Güvenç, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

As explained in *Note 2.1.1*, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Consolidated Financial Statements as at and for the Year Ended 31 December 2013

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2013 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, 20 February 2014

Şule SOYLU	Kemal ÇUHACI	Hasan Hulki YALÇIN	Ertan TAN
Group Manager	Assistant General Manager	General Manager	Actuary

Contents

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Cash and Cash Equivalents	**14**	**1,757,294,990**	**1,645,748,238**
1- Cash	14	62,280	83,735
2- Cheques Received		--	--
3- Banks	14	1,505,408,327	1,487,717,553
4- Cheques Given and Payment Orders	14	(1,025,984)	(1,104,472)
5- Bank Guaranteed Credit Card Receivables with Maturity Less Than Three Months	14	252,850,367	159,051,422
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**1,109,846,847**	**703,643,135**
1- Available-for-Sale Financial Assets	11	905,238,347	521,562,329
2- Held to Maturity Investments	11	94,501,549	89,590,740
3- Financial Assets Held for Trading	11	115,904,563	98,287,678
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(5,797,612)	(5,797,612)
C- Receivables from Main Operations	**12**	**953,641,241**	**831,903,951**
1- Receivables from Insurance Operations	12	736,197,976	603,166,176
2- Provision for Receivables from Insurance Operations	12	(9,475,078)	(9,137,211)
3- Receivables from Reinsurance Operations	12	141,494,497	163,671,348
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	85,423,846	74,203,638
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4.2,12	102,838,143	88,000,019
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(102,838,143)	(88,000,019)
D- Due from Related Parties	**12**	**72,324**	**1,445,693**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	72,324	1,445,693
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	**12**	**3,096,793**	**2,305,977**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	485,309	112,510
4- Other Miscellaneous Receivables	12	2,611,484	2,193,467
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	232,377
7- Provision for Other Doubtful Receivables	12	(63,177)	(232,377)
F- Prepaid Expenses and Income Accruals		**294,471,200**	**274,562,665**
1- Deferred Acquisition Costs	17	278,786,333	256,579,864
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2,12	15,491,016	17,791,902
4- Other Prepaid Expenses	4.2,12	193,851	190,899
G- Other Current Assets		**19,694,414**	**21,901,283**
1- Stocks to be Used in the Following Months		920,341	752,637
2- Prepaid Taxes and Funds	12,19	17,679,207	20,191,743
3- Deferred Tax Assets		--	--
4- Job Advances	12	41,221	76,468
5- Advances Given to Personnel	12	35,897	35,685
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	1,017,748	844,750
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**4,138,117,809**	**3,481,510,942**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Receivables from Main Operations		**--**	**--**
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4.2,12	10,908,362	9,372,557
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(10,908,362)	(9,372,557)
B- Due from Related Parties		**--**	**--**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables		**--**	**--**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	**9**	**114,176,307**	**111,938,184**
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	113,430,100	111,191,977
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	746,207	746,207
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	**6**	**77,787,694**	**59,800,212**
1- Investment Properties	6,7	48,325,615	48,325,615
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	37,913,919	37,780,674
4- Machinery and Equipments	6	32,800,391	26,268,960
5- Furniture and Fixtures	6	14,871,838	12,534,797
6- Motor Vehicles	6	2,564,806	2,515,065
7- Other Tangible Assets (Including Leasehold Improvements)	6	18,262,277	4,038,677
8- Tangible Assets Acquired Through Finance Leases	6	4,166,354	4,166,354
9- Accumulated Depreciation	6	(81,117,506)	(75,829,930)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	**8**	**63,517,832**	**55,228,029**
1- Rights	8	57,253,263	23,749,405
2- Goodwill	8	16,250,000	16,250,000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(29,281,745)	(16,488,719)
7- Advances Paid for Intangible Assets	8	19,296,314	31,717,343
G- Prepaid Expenses and Income Accruals		**40,150**	**582,985**
1- Deferred Acquisition Costs	17	34,671	564,809
2- Income Accruals		--	--
3- Other Prepaid Expenses		5,479	18,176
H- Other Non-Current Assets	**21**	**40,606,546**	**53,565,380**
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	40,606,546	53,565,380
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		**296,128,529**	**281,114,790**
TOTAL ASSETS		**4,434,246,338**	**3,762,625,732**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Financial Liabilities		**--**	**--**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Installments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations	**19**	**348,117,231**	**226,720,673**
1- Payables Arising from Insurance Operations		240,657,122	133,512,325
2- Payables Arising from Reinsurance Operations		40,078,893	24,812,722
3- Cash Deposited by Insurance and Reinsurance Companies		4,110,433	4,233,782
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		63,270,783	64,161,844
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	**19**	**86,156**	**136,523**
1- Due to Shareholders		72,450	87,944
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		13,706	48,579
D- Other Payables	**19**	**56,847,391**	**36,435,913**
1- Deposits and Guarantees Received		3,079,453	3,215,535
2- Payables to Social Security Institution Related to Treatment Expenses		26,428,955	8,092,174
3- Other Miscellaneous Payables		27,966,606	25,207,751
4- Discount on Other Miscellaneous Payables		(627,623)	(79,547)
E- Insurance Technical Provisions	**17**	**2,845,330,801**	**2,383,856,465**
1- Reserve for Unearned Premiums - Net	17	1,458,121,390	1,259,180,332
2- Reserve for Unexpired Risks- Net	17	17,775,525	5,894,828
3- Life Mathematical Provisions - Net	17	641,636	1,020,079
4- Provision for Outstanding Claims - Net	17	1,368,792,250	1,117,761,226
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**28,647,704**	**17,222,799**
1- Taxes and Funds Payable		26,837,281	15,752,881
2- Social Security Premiums Payable		1,810,423	1,469,918
3- Overdue, Deferred or By Installment Taxes and Other Liabilities			--
4- Other Taxes and Similar Payables	-	--	--
5- Corporate Tax Payable		--	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		--	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		**--**	**--**
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	**19**	**58,234,314**	**51,052,906**
1- Deferred Commission Income	10,19	30,341,851	27,576,172
2- Expense Accruals	19	27,787,533	23,349,314
3- Other Deferred Income	19	104,930	127,420
I- Other Short Term Liabilities		**1,187,490**	**849,038**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		1,187,490	849,038
III- Total Short Term Liabilities		**3,338,451,087**	**2,716,274,317**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Financial Liabilities		**--**	**--**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Operating Activities		**--**	**--**
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		**--**	**--**
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables	**19**	**--**	**24,983,370**
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	26,203,681
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	(1,220,311)
E- Insurance Technical Provisions	**17**	**66,371,127**	**50,420,599**
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	66,371,127	50,420,599
F- Other Liabilities and Relevant Accruals		**--**	**--**
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities			--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	**23**	**53,880,358**	**46,274,819**
1- Provisions for Employment Termination Benefits	23	17,564,332	15,179,424
2- Provisions for Pension Fund Deficits	22,23	36,316,026	31,095,395
H-Deferred Income and Expense Accruals	**19**	**--**	**16,667**
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	--	16,667
I- Other Long Term Liabilities		**--**	**--**
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV- Total Long Term Liabilities		**120,251,485**	**121,695,455**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2013**	**Audited Prior Period 31 December 2012**
A- Paid in Capital		**615,000,000**	**615,000,000**
1- (Nominal) Capital	2.13,15	615,000,000	615,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	**15**	**(4,568,692)**	**1,088,645**
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(9,246,073)	(3,588,736)
5- Other Capital Reserves	15	4,677,381	4,677,381
C- Profit Reserves		**109,307,849**	**144,015,548**
1- Legal Reserves	15	76,312,898	75,456,222
2- Statutory Reserves	15	43,612,652	45,217,862
3- Extraordinary Reserves	15	16,896,500	17,420,430
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	18,869,209	51,655,758
6- Other Profit Reserves	15	24,676,639	25,325,325
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		--	--
1- Retained Earnings		--	--
E- Accumulated Losses		**(97,983,106)**	**(162,597,232)**
1- Accumulated Losses		(97,983,106)	(162,597,232)
F- Net Profit/(Loss) for the Year		**71,800,159**	**63,341,662**
1- Net Profit for the Period		71,428,926	63,341,662
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		371,233	--
G- Minority Shares		**281,987,556**	**263,807,337**
V- Total Equity		**975,543,766**	**924,655,960**
TOTAL EQUITY AND LIABILITIES		**4,434,246,338**	**3,762,625,732**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Non-Life Technical Income		**2,904,745,877**	**2,882,812,655**
1- Earned Premiums (Net of Reinsurer Share)		2,639,919,069	2,669,893,416
1.1- Written Premiums (Net of Reinsurer Share)	17	2,850,351,482	2,630,823,968
1.1.1- Written Premiums, gross	17	3,575,410,679	3,164,071,015
1.1.2- Written Premiums, ceded	10,17	(661,091,974)	(489,384,169)
1.1.3- Written Premiums, SSI share		(63,967,223)	(43,862,878)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(198,551,716)	(48,639,137)
1.2.1- Reserve for Unearned Premiums, gross	17	(279,314,258)	(87,933,911)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	66,207,423	33,173,992
1.2.3- Reserve for Unearned Premiums, SSI share		14,555,119	6,120,782
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(11,880,697)	87,708,585
1.3.1- Reserve for Unexpired Risks, gross		(16,385,620)	98,326,618
1.3.2- Reserve for Unexpired Risks, ceded		4,504,923	(10,618,033)
2- Investment Income - Transferred from Non-Technical Section		186,338,695	205,824,998
3- Other Technical Income (Net of Reinsurer Share)		63,491,915	17,388,951
3.1- Other Technical Income, gross		63,463,725	17,387,935
3.2- Other Technical Income, ceded		28,190	1,016
4- Accrued Salvage and Subrogation Income		14,996,198	(10,294,710)
B- Non-Life Technical Expense		**(2,783,727,553)**	**(2,861,530,567)**
1- Incurred Losses (Net of Reinsurer Share)		(1,977,862,993)	(2,083,202,203)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1,727,239,776)	(1,922,798,316)
1.1.1- Claims Paid, gross	17	(1,829,279,322)	(2,022,729,707)
1.1.2- Claims Paid, ceded	10,17	102,039,546	99,931,391
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(250,623,217)	(160,403,887)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(283,018,746)	(161,080,597)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	32,395,529	676,710
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(15,685,103)	(15,278,762)
4- Operating Expenses	32	(745,471,407)	(759,306,158)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Mathematical Provisions		--	--
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		(44,708,050)	(3,743,444)
6.1- Other Technical Expense, gross		(44,708,050)	(3,743,444)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**121,018,324**	**21,282,088**
D- Life Technical Income		**21,370,999**	**21,192,665**
1- Earned Premiums (Net of Reinsurer Share)		20,078,366	19,881,882
1.1- Written Premiums (Net of Reinsurer Share)	17	20,467,708	19,537,701
1.1.1- Written Premiums, gross	17	21,743,651	20,487,622
1.1.2- Written Premiums, ceded	10,17	(1,275,943)	(949,921)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(389,342)	344,181
1.2.1- Reserve for Unearned Premiums, gross	17	(487,433)	242,510
1.2.2- Reserve for Unearned Premiums, ceded	10,17	98,091	101,671
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		1,212,093	1,292,350
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		80,540	18,433
4.1- Other Technical Income, gross		80,540	18,433
4.2- Other Technical Income, ceded		--	--
5- Accrued Salvage and Subrogation Income		--	--

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
E- Life Technical Expense		**(16,950,513)**	**(14,423,026)**
1- Incurred Losses (Net of Reinsurer Share)		(7,004,352)	(6,345,198)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,596,545)	(6,018,305)
1.1.1- Claims Paid, gross	17	(6,641,402)	(6,442,406)
1.1.2- Claims Paid, ceded	10,17	44,857	424,101
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(407,807)	(326,893)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,421,346)	(357,681)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	1,013,539	30,788
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	378,443	357,622
3.1- Change in Mathematical Provisions, gross	29	378,443	357,622
3.1.1- Actuarial Mathematical Provisions		378,443	357,622
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(265,425)	(252,279)
5- Operating Expenses	32	(10,059,179)	(8,183,171)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D - E)		**4,420,486**	**6,769,639**
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G - H)		**--**	**--**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income for the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

II- NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
C- Net Technical Income - Non-Life (A-B)		**121,018,324**	**21,282,088**
F- Net Technical Income - Life (D-E)		**4,420,486**	**6,769,639**
I - Net Technical Income - Pension Business (G-H)		**--**	**--**
J- Total Net Technical Income (C+F+I)		**125,438,810**	**28,051,727**
K- Investment Income		**299,876,560**	**293,976,221**
1- Income from Financial Assets	4.2	158,625,186	166,562,734
2- Income from Disposal of Financial Assets	4.2	27,775,982	47,111,907
3- Valuation of Financial Assets	4.2	4,350,465	31,792,127
4- Foreign Exchange Gains	4.2	73,484,048	19,646,211
5- Income from Associates	4.2	17,788,246	16,999,936
6- Income from Subsidiaries and Joint Ventures	4.2	1,925	--
7- Income from Property, Plant and Equipment	7	13,179,908	11,204,062
8- Income from Derivative Transactions	4.2	4,558,126	626,857
9- Other Investments		112,674	32,387
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(277,460,881)**	**(268,566,730)**
1- Investment Management Expenses (inc. interest)	4.2	(1,472,447)	(585,732)
2- Diminution in Value of Investments	4.2	(4,677,619)	(4,837,314)
3- Loss from Disposal of Financial Assets	4.2	(23,421,773)	(10,321,479)
4- Investment Income Transferred to Non-Life Technical Section		(186,338,695)	(205,824,998)
5- Loss from Derivative Transactions	4.2	(6,499,680)	(311,150)
6- Foreign Exchange Losses	4.2	(31,379,597)	(30,693,599)
7- Depreciation and Amortization Expenses	6,8	(18,969,171)	(10,592,826)
8- Other Investment Expenses		(4,701,899)	(5,399,632)
M- Income and Expenses From Other and Extraordinary Operations		**(47,868,439)**	**(14,058,795)**
1- Provisions	47	(30,673,358)	(14,738,303)
2- Rediscounts	47	2,380,930	(723,587)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	(1,481,229)	18,378,911
6- Deferred Taxation (Deferred Tax Liabilities)	35	(19,058,743)	(17,871,089)
7- Other Income		3,684,042	1,299,886
8- Other Expenses and Losses		(2,720,081)	(404,613)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		**99,986,050**	**39,402,423**
1- Profit for the Year		99,986,050	39,402,423
2- Corporate Tax Provision and Other Fiscal Liabilities	35	--	--
3- Net Profit for the Year		99,986,050	39,402,423
3.1-Groups Profit/(Loss)		71,800,159	63,341,662
3.2-Minority Shares		28,185,891	(23,939,239)
4- Monetary Gains and Losses		--	--

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Audited Changes in Equity - 31 December 2012

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment
I - Balance at the end of the previous year - 31 December 2011	**15**	**615,000,000**	**--**	**4,457,325**	**--**
A- Capital increase (A1+A2)		--	--	--	--
1- In cash		--	--	--	--
2- From reserves		--	--	--	--
B-Effects of changes in group structure		--	--	--	--
C- Purchased by the Company its own shares		--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--
E - Change in the value of financial assets		--	--	47,198,433	--
F - Currency translation adjustments		--	--	--	--
G - Other gains or losses		--	--	--	--
H - Inflation adjustment differences		--	--	--	--
I - Net profit for the year		--	--	--	--
J - Other reserves and transfers from retained earnings		--	--	--	--
K - Dividends paid		--	--	--	--
II - Balance at the end of the year - 31 December 2012	**15**	**615,000,000**	**--**	**51,655,758**	**--**

Audited Changes in Equity - 31 December 2013

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment
I - Balance at the end of the previous year - 31 December 2012	**15**	**615,000,000**	**--**	**51,655,758**	**--**
A- Capital increase (A1+A2)		--	--	--	--
1- In cash		--	--	--	--
2- From reserves		--	--	--	--
B-Effects of changes in group structure		--	--	--	--
C- Purchased by the Company its own shares		--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--
E -Change in the value of financial assets		--	--	(32,786,549)	--
F - Currency translation adjustments		--	--	--	--
G - Other gains or losses		--	--	--	--
H - Inflation adjustment differences		--	--	--	--
I - Net profit for the year		--	--	--	--
J - Other reserves and transfers from retained earnings		--	--	--	--
K - Dividends paid		--	--	--	--
II - Balance at the end of the year - 31 December 2013	**15**	**615,000,000**	**--**	**18,869,209**	**--**

The accompanying notes are an integral part of these consolidated financial statements.

Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total Equity Before Minority Shares	Minority Share	Total
(5,367,227)	**73,993,593**	**44,333,069**	**(27,018,475)**	**(163,886,498)**	**7,018,250**	**548,530,037**	**271,121,673**	**819,651,710**
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	47,198,433	16,624,903	63,823,336
1,778,491	--	--	--	--	--	1,778,491	--	1,778,491
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	63,341,662	--	63,341,662	(23,939,239)	39,402,423
--	1,462,629	884,793	3,381,562	163,886,498	(169,615,482)	--	--	--
--	--	--	--	--	--	--	--	--
(3,588,736)	**75,456,222**	**45,217,862**	**(23,636,913)**	**63,341,662**	**(162,597,232)**	**660,848,623**	**263,807,337**	**924,655,960**

Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total Equity Before Minority Shares	Minority Share	Total
(3,588,736)	**75,456,222**	**45,217,862**	**(23,636,913)**	**63,341,662**	**(162,597,232)**	**660,848,623**	**263,807,337**	**924,655,960**
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	(648,686)	--	--	(648,686)	--	(648,686)
--	--	--	--	--	--	(32,786,549)	(10,005,672)	(42,792,221)
(5,657,337)	--	--	--	--	--	(5,657,337)	--	(5,657,337)
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	71,800,159	--	71,800,159	28,185,891	99,986,050
--	856,676	(1,605,210)	(523,930)	(63,341,662)	64,614,126	--	--	--
--	--	--	--	--	--	--	--	--
(9,246,073)	**76,312,898**	**43,612,652**	**(24,809,529)**	**71,800,159**	**(97,983,106)**	**693,556,210**	**281,987,556**	**975,543,766**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A. Cash flows from operating activities			
1. Cash provided from insurance activities		2,298,465,231	2,298,465,231
2. Cash provided from reinsurance activities		1,666,562,686	1,077,980,190
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(2,422,921,501)	(2,422,921,501)
5. Cash used in reinsurance activities		(1,098,238,201)	(1,037,514,671)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		**443,868,215**	**(83,990,751)**
8. Interest paid		--	--
9. Income taxes paid		--	--
10. Other cash inflows		47,104,830	83,025,305
11. Other cash outflows		(157,275,256)	(38,062,266)
12. Net cash provided from operating activities		**333,697,789**	**(39,027,712)**
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		1,823,500	212,446
2. Acquisition of tangible assets	6, 8	(47,940,958)	(24,456,849)
3. Acquisition of financial assets	11	(1,231,797,642)	(1,058,049,202)
4. Proceeds from disposal of financial assets		801,022,292	1,087,350,189
5. Interests received		134,029,036	222,369,761
6. Dividends received		9,635,460	14,502,250
7. Other cash inflows		93,832,130	33,288,008
8. Other cash outflows		333,715,367	(429,214,879)
9. Net cash provided by/(used in) investing activities		**94,319,185**	**(153,998,276)**
C. Cash flows from financing activities			
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		--	--
5. Other cash inflows		--	--
6. Other cash outflows		--	--
7. Net cash provided by financing activities		**--**	**--**
D. Effect of exchange rate fluctuations on cash and cash equivalents		**31,226,931**	**(89,512)**
E. Net increase/(decrease) in cash and cash equivalents		**459,243,905**	**(193,115,500)**
F. Cash and cash equivalents at the beginning of the year	**14**	**883,291,238**	**1,076,406,738**
G. Cash and cash equivalents at the end of the year	**14**	**1,342,535,143**	**883,291,238**

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	Note	Current Period 31 December 2013 (**)	Prior Period 31 December 2012
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT		22,638,914	98,348,818
1.2. TAXES AND DUTIES PAYABLE	35	--	--
1.2.1. Corporate Tax (Income Tax)	35	--	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		**22,638,914**	**98,348,818**
1.3. ACCUMULATED LOSSES (-)		(46,388,171)	(144,736,989)
1.4. FIRST LEGAL RESERVES (-)		--	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**(23,749,257)**	**(46,388,171)**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. To owners of ordinary shares		--	--
1.6.2. To owners of privileged shares		--	--
1.6.3. To owners of redeemed shares		--	--
1.6.4. To holders profit sharing bonds		--	--
1.6.5. To holders of profit and loss sharing certificates		--	--
1.7. DIVIDENDS TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO FOUNDERS (-)		--	--
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.10.1. To owners of ordinary shares		--	--
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.11. LEGAL RESERVES (-)		--	--
1.12. STATUTORY RESERVES(-)		--	--
1.13. EXTRAORDINARY RESERVES		--	--
1.14 OTHER RESERVES		--	--
1.15 SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. DISTRIBUTED RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1. To owners of ordinary shares		--	--
2.3.2. To owners of privileged shares		--	--
2.3.3. To owners of redeemed shares		--	--
2.3.4. To holders of profit sharing bonds		--	--
2.3.5. To holders of profit and loss sharing certificates		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE		--	--
3.1. TO OWNERS OF ORDINARY SHARES		--	--
3.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
3.3. TO OWNERS OF PRIVILEGED SHARES		--	--
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. TO OWNERS OF ORDINARY SHARES		--	--
4.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3. TO OWNERS OF PRIVILEGED SHARES		--	--
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--

(*) Consolidated profit is not distributed by companies in Turkey in accordance with regulations in Turkey. In this context, profit distribution tables which is above belong to the Principal Parentship.
(**) As at 31 December 2013, the Company does not have any distributable profit.

The accompanying notes are an integral part of these consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

1 General information

1.1 Name of the Company and the ultimate owner of the group

As at 31 December 2013, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

The Company was established in 26 February 1929 and has been operating since in 19 July 1929.

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57.31% and investment increased to TL 286,550,106.

The consolidated financial statements as of 31 December 2013 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company was registered in Turkey in 16 July 1929 and has the status of "Incorporated Company". The address of the Company's registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Business of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection. As at 31 December 2013, the Company serves through 2,551 agencies of which 2,468 authorized and 83 unauthorized agencies (31 December 2012: 2,726 authorized and 78 unauthorized, total 2,804).

1.4 Description of the main operations of the Company

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Prime Ministry-Undersecretariat of Treasury (the "Turkish Treasury") based on the Insurance Law.

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows:

- providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- managing and participating in reinsurance operations of Pools,
- purchasing, selling, constructing and renting real estates,
- purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("ISE"). In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, Anadolu Sigorta performs its operations accordingly.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

1.5 The average number of the personnel during the year in consideration of their categories

The average number of the personnel during the year in consideration of their categories is as follows:

	31 December 2013	31 December 2012
Senior management	14	15
Managers	57	53
Assistant manager	128	116
Officers	632	121
Contracted personnel	42	8
Advisor	3	3
Other personnel	264	792
Total	**1,140**	**1,108**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2013, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 8,921,163 (31 December 2012: TL 8,545,464).

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance with Insurance Accounting Plan" issued by the Turkish Treasury.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. In accordance with the approval of the Undersecretariat of Treasury, dated 6 March 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income are distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at 31 December 2013, the Company owns 57.31% of its subsidiary, Anadolu Sigorta and Anadolu Sigorta is included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ ("Anadolu Hayat") is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% in the consolidated financial statements as at 31 December 2013.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company:	**www.millire.com**

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

None.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

Group maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (''Individual Retirement Law'').

Although the 4th standard of the Turkish Accounting Standards Board ("TASB") (TASB has been closed since November 2011 and duties have been transferred to the Public Oversight Accounting and Auditing Standards) for the '*Insurance contracts*' became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that TFRS 4 will not be implemented at this stage since the second phase of the International Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, "Communiqué on Technical Reserves for Insurance, Reinsurance and Individual Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") is published in the Official Gazette dated 7 August 2007, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on their own captions in the following sections.

Accounting for subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered "Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures", issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TASB for the accounting of subsidiaries, associates and joint venture until the publication of another regulation on this issue by the Turkish Treasury. "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4th repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 - *Financial Reporting in Hyperinflationary Economies*" as at 31 December 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2013, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2012 and nine-month results as at and for the period ended 30 September 2013 and accordingly related balance sheet balances as at 31 December 2013 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in "Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements*" and each under its own caption in the following sections of this report.

2.1.3 Functional and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated 2 August 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Turkish Treasury to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated 12 August 2011 sent by the Turkish Treasury to the Company, prospective application as at 30 June 2011 effective from 1 January 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as at 31 December 2013, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January - 31 December 2013. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated 12 January 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Turkish Treasury to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at 31 December 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, provision for outstanding claims and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2013, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results.

The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2013, the Company recognised the amount that arise due to change in calculation method for IBNR on General Losses branch.

Revised TFRS 13 "*Fair Value Measurement*" replaces the fair value measurement guidance contained in individual TFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs.

It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity applied TFRS 13 for annual periods after 1 January 2013.

The amended TAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Financial status and impacts on performance of revised standard considered by the Company and related regulations on financial tables completed.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The amended TAS 19 "*Employee Benefits*" is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among there numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The company, couldn't recognized previous years actuarial gains and losses under the equity due to the related amount is under the materiality but the current year actuarial gains and losses is recognized at the other reserves in equity.

Critical accounting judgments used in applying the Company's accounting policies are explained in 3 - *Critical accounting estimates and judgments in applying accounting policies.*

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method and Anadolu Hayat which is associate of Anadolu Sigorta is consolidated by the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat which is consolidated using equity method is presented in Note 9.

Company	Direct and Indirect Controlling Interest	Direct Controlling Interest	Total Asset	Shareholders' Equity	Prior Period Loss	Current Period Profit
Anadolu Sigorta (consolidated)	57.31%	57.31%	2,992,598,858	652,844,666	(48,878,904)	66,403,111

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2013 and 2012.

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

(Currency: Turkish Lira (TL))

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2013, the Group operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Group's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

2.5 Tangible assets

Tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the consolidated statement of income of the related year.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2,0
Machinery and equipment	3 - 16	6,3 - 33,3
Furniture and fixtures	4 - 16	6,3 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5 - 10	10,0 - 20,0
Tangible assets acquired through finance leases	4 - 10	10,0- 25,0

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measured all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less impairment losses if any).

Depreciation is provided on investment properties on a straight line basis. Depreciation period for investment properties is 50 years for buildings and land is not depreciated.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

2.7 Intangible assets

The Group's intangible assets consist of computer software and goodwill.

Intangible assets are recorded at cost in compliance with the "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Group and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16,250,000 is capitalized as goodwill by the Group.

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note *2.10 - Derivative financial instruments.*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the consolidated statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

In the accompanying consolidated financial statements, Anadolu Hayat associate of the Group has been consolidated by using the equity method of accounting.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on asset

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each balance sheet date, the Group evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "*TAS 36* - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement.*

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Group's similar activities like trading transactions.

(Currency: Turkish Lira (TL))

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Group or not blocked for any other purpose.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As at 31 December 2013 and 2012, the share capital and ownership structure of the Company are as follows:

	31 December 2013		31 December 2012	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	471,323,817	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	64,840,594	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	36,163,765	5.88	36,163,765	5.88
T.C. Başbakanlık Hazine Müsteşarlığı	20,724,061	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	15,310,652	2.49	15,310,652	2.49
Others	6,637,111	1.08	6,637,111	1.08
Paid in capital	**615,000,000**	**100.00**	**615,000,000**	**100.00**

Sources of the capital increases during the year

There is not any capital increase during the current period.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5th year of the Company. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves *(Note 38)*, 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.14 Insurance and investment contracts - classification

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

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Group acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As at the reporting date, the Group does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:
  - (1) the performance of a specified pool of contracts or a specified type of contract;
  - (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
  - (3) the profit or loss of company, fund or other entity that issues the contract.

As of balance sheet date, the Group does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts with DPF

As of the reporting date, the Group does not have any insurance contracts and investment contracts without DPF

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Group are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.31 December 2013, the Group has deductible tax losses, amounting to TL 99,493,213 (31 December 2012: 202,355,222 TL).

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Transfer pricing

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

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Anadolu Anonim Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on 9 April 2011. Based on this, expiration date has been extended to 8 May 2013 from the expiration date on 8 May 2011. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510.

Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. Decree of the council of ministers will be published on future and decides on transfer principles.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2013 is TL 3,254 (31 December 2012: TL 3,034).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Discount rate	3.61% - 3.77%	3.18% - 3.77%
Expected rate of salary/limit increase	5.00% - 6.37%	4.40% - 5.00%
Estimated employee turnover rate	2.00% - 7.11%	2.00% - 4.08%

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Other benefits

The Group has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as "written premiums, ceded" in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly payrolls.

Claims paid

Claims paid represent payments of the Group as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognized as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insuree. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Group provided TL 25,286,057 (31 December 2012: TL 24,077,034) subrogation receivables and recorded TL 29,179,630 (31 December 2012: TL 29,416,598) *(Note 12)* amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 9,475,078 (31 December 2012: TL 9,137,211) *(Note 12)* in accordance with circular.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

For the periods ended 31 December 2013 and 2012, salvage and subrogation collected are as follows:

	31 December 2013	31 December 2012
Motor vehicles	198,341,171	225,938,923
Third Party liability for motor vehicles (MTPL)	5,275,881	2,864,013
Transportation	2,002,200	1,848,373
Fire and natural disaster	1,647,652	2,050,505
Water vehicles	751,675	195,562
Accident	548,899	189,496
Credit	355,772	45,000
General losses	85,598	311,292
Legal protection	22,461	562
Health	21,104	23,974
General Responsibility	22,584	(259,445)
Total	**209,074,997**	**233,208,255**

As at 31 December 2013 and 2012, accrued subrogation and salvage income per branches is as follows:

	31 December 2013	31 December 2012
Motor vehicles	27,506,620	21,335,128
Third party liability for motor vehicles (MTPL)	1,450,379	3,123,396
Fire and natural disaster	146,400	4,155,750
Transportation	64,907	506,363
General losses	10,291	177,210
Accident	1,033	16,693
General liability	--	56,740
Water vehicles	--	45,318
Total	**29,179,630**	**29,416,598**

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

Interest income and expenses

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability except for the financial assets at fair value through profit or loss.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying consolidated financial statements.

Dividends

Dividend income is recognized when the Group's right to receive payment is ascertained.

2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 28 March 2013, the Company has profit amounting to TL 98,348,818 for 2012, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

The subsidiary of the Company, Anadolu Sigorta calculated unearned premium reserve in accordance with the basis specified above.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Group: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates reserve for unearned premiums for ceded premium as retrocedant on the same basis.

Reserve for unearned premiums is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies with the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after 14 June 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before 14 June 2007.

In previous years, the reserve for unearned premiums had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before 1 January 2008, on 28 December 2007 the Turkish Treasury issued "2007/25 Numbered Circular Related to the Calculation of the Reserve for Unearned Premiums and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before 1 January 2008, but it should be calculated on gross basis for the policies produced after 1 January 2008.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010 and "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12, it is stated that the difference between the result of the actuarial chain ladder method and reported but not settled (IBNR calculation by ACLM method) is compared to test IBNR claims and greater amount is recorded to financial statements are accepted as IBNR claims. Requirement on test IBNR calculation is removed per Communiqué on Amendments to Aforementioned Communiqué is published in Official Gazette no 28356 17 July 2012 dated. It is stated that amount, content and implementation principals of incurred but not reported claims should be determined according to IBNR calculation by ACLM method specified by Turkish Treasury or other methods determined by Turkish Treasury.

Except for the life branch, provision for outstanding claims consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Turkish Treasury and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Turkish Treasury for reinsurance companies due to their special conditions.

Methods for the calculation of provision for incurred but not reported claims are determined by the Turkish Treasury in the life-branch.

Actuarial chain ladder method ("ACML") calculation is announced by the Turkish Treasury by "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010. There are five methods in the actuarial chain ladder: Standard Chain Ladder, Claim/Premium, Cape Cod, Frequency/Volume and Munich Chain Method.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox method whereas New Zealand earthquake claims occurred in February 2011 was eliminated directly.

Branches	Milli Reasürans	Anadolu Sigorta
Fire and natural disasters	Standard Chain Ladder	Munich Chain Ladder
General losses(*)	Standard Chain Ladder	Munich Chain Ladder
General liability	Standard Chain Ladder	Munich Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Munich Chain Ladder
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Munich Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Breach of trust	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Third party liability	--	Standard Chain Ladder
Big claim elimination with the Box Plot method	Not performed	Performed

(*) Two separate calculations have been made as agriculture and non agriculture subbranches.

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated 6 November 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for third party liability on air and water, breach of trust, financial losses, credit and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

Due to characteristics of reinsurance transactions, business period is used rather than accident period in the actuarial chain ladder method and ACML is calculated annually according to claims paid.

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Undersecretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

According to the letter dated 12 January 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Turkish Treasury to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at 31 December 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, provision for outstanding claims and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

Based on the "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 December 2011, as of the reporting date, negative IBNR balances are considered as 100% instead of 50%.

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2013, the Company recognized the amount that arised due to change in calculation method for IBNR on General Losses branch.

As at the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 3,945,150 (31 December 2012: TL 8,170,590negative IBNR, 100%) as provision for outstanding claims. As at the reporting date, TL 30,299,954 (31 December 2012: TL 21,964,570) of IBNR provision is recorded for Singapore branch.

As at 31 December 2013, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 193,676,094 and reinsurance share TL (7,596,560) using 100% of ACLM result (31 December 2012: test IBNR method, Gross IBNR: TL 49,391,050, reinsurance share: TL (7,916,046)) in the consolidated financial statements.

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 53,749,627 (31 December 2012: TL 47,408,492) as IBNR and TL 6,764,302 (31 December 2012: TL 7,007,975) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

(Currency: Turkish Lira (TL))

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2013 is within 15% - 25% range (31 December 2012: 15% - 94%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

	31 December 2013		
Branch	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%17	27,348,214	26,167,440
General responsibility	%25	15,096,889	14,288,654
Fire and natural disasters	%17	6,386,641	2,789,609
Motor vehicles	%18	2,065,493	1,977,160
Transportation	%11	361,329	333,118
General losses	%17	1,153,064	515,357
Water vehicles	%25	973,319	569,692
Accident	%18	357,604	337,221
Legal protection	%16	7,074	7,074
Total		**53,749,627**	**46,985,325**

	31 December 2012		
Branch	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%25	20,625,949	18,988,070
General responsibility	%25	14,072,308	13,444,219
Fire and natural disasters	%23	7,139,540	3,272,194
Motor vehicles	%24	2,659,095	2,522,249
Transportation	%25	1,096,929	1,043,413
General losses	%15	784,892	414,504
Water vehicles	%25	646,206	351,391
Accident	%24	377,701	358,605
Legal protection	%19	5,872	5,872
Total		**47,408,492**	**40,400,517**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Circular Numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts"

58th and 59th articles and 1st and 2nd provisional articles of the Law no 6111 on "Restructuring of certain receivables and amendment to the law of social insurance and general health insurance and certain other laws and decree laws" published in the Official Gazette numbered 27857 and has come into effect on 25 February 2011.

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2,279,273 related to treatment costs occurred before issuance of the aforementioned law, with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2,375,923, with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

The Group classified total of TL 2,452,947 which includes new calculation difference over premiums written under compulsory motor third party liability insurance contracts between 25 February 2011 - 26 August 2011 per "Circular Stated Principals on Implementation Related to Collection of Health Service Fees in Connection with Traffic Accidents" stated by the Turkish Treasury as "Payable to SSI".

The Turkish Treasury informed the Company 7.02% for motor third party liability, 2.08% for compulsory personal accident seat insurance and 15.8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 5,721,687 between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to "Other Technical Expense" as at 31 December 2013 and in accordance with the Turkish Treasury article dated 13 February 2013, amount for the year 2011 after publication date of law, TL 1,822,665 is recorded in the "Written Premiums, SSI share" account.

2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical provisions are recorded based on the data sent by ceding companies.

2.27 Reserve for unexpired risk

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; besides the net reserve for unexpired risk detailed in the above, gross reserve for unexpired risk is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

In order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

Calculation of Reserve for unexpired risks is made on the basis of main branches, within the context of circular of Turkish Treasury, numbered 2012/15 and dated 10 December 2012.

According to the Circular numbered 2011/18, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in motor third party liability, compulsory transportation financial liability and compulsory personal accident for bus transportation branches.

According to the related test, as at the reporting date, the Group has provided net reserve for unexpired risk amounting to TL 17,775,525 in the accompanying consolidated financial statements (31 December 2012: TL 5,894,828).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 66,371,127 TL (31 December 2012: TL 50,420,599).

As at 31 December 2013, the Group has deducted TL 23,840,767 (31 December 2012: TL 20,170,880) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

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

2.30 Earning per share

Earnings per share presented in the income statement are calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations.

2.31 Subsequent events

Post-balance sheet events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.32 New standards and interpretations not yet adopted

As of 31 December 2013, a number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2013. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of TFRS 9 - *Financial instruments,* which is published by the TASB (TASB has been closed since November 2011 and duties have been transferred to the Public Oversight Accounting and Auditing Standards) on Official Gazette dated 27 April 2010 and numbered 27564. TFRS 9 - *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 - *Financial Instruments: Recognition and Measurement*. Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

New standards and interpretations not yet adopted and have no effect on the Company's financials

- TAS 32 - Financial Instruments: Presentation - The amendment on the Clarification of Financial Assets and Debts aims to clarify the statement "existence of an available and legal right for clarification of the recognized amounts". Additionally TAS 32 clarifies application areas of settlement systems (such as Exchange bureaus) where gross payment is made and where clarification principle is not implemented simultaneously. Amendments will be applied for the accounting periods starting as from 1 January 2014 retrospectively.

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management.*

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

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

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

Note 2.24 - Reserve for unearned premiums
Note 2.25 - Provision for outstanding claims
Note 2.27 - Reserve for unexpired risks
Note 2.28 - Equalization provision
Note 4.1 - Management of insurance risk
Note 4.2 - Financial risk management
Note 7 - Investment properties
Note 10 - Reinsurance assets/liabilities
Note 11 - Financial assets
Note 12 - Loans and receivables
Note 17 - Insurance contract liabilities and reinsurance assets
Note 17 - Deferred acquisition costs
Note 19 - Trade and other payables and deferred income
Note 21 - Deferred income taxes
Note 23 - Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks:

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Objective of managing risks arising from insurance contracts and policies used to minimize such risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Group and coverage portion transfers to policyholders and transfer conditions.

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by Board of Directors by considering the Groups long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Group can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy

In order to avoid destructive losses over Group's financial structure, company transfers the exceeding portion of risks assumed over the Group's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Insurance risk concentrations

The Group's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

	31 December 2013		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	327,820,180	(36,413,720)	291,406,460
Motor vehicles	533,316,456	(1,634,286)	531,682,170
General losses	249,438,439	(20,118,739)	229,319,700
Health	193,974,121	(12,000,196)	181,973,925
Motor vehicles liability(MTPL)	356,418,403	(104,152)	356,314,251
Water vehicles	42,793,632	(10,558,036)	32,235,596
Transportation	36,401,763	(4,788,809)	31,612,954
Accident	26,733,600	(830,080)	25,903,520
Life	6,641,402	(44,858)	6,596,544
General liability	35,844,536	(3,052,118)	32,792,418
Air crafts	14,495,556	(8,954,172)	5,541,384
Credit	6,507,546	(95,441)	6,412,105
Breach of trust	413,418	(325)	413,093
Financial losses	3,430,150	(3,489,354)	(59,204)
Legal protection	129,687	(117)	129,570
Water Vehicles liability	30,025	--	30,025
Air crafts liability	1,531,810	--	1,531,810
Total	**1,835,920,724**	**(102,084,403)**	**1,733,836,321**

	31 December 2012		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	680,932,168	(895,515)	680,036,653
Motor vehicles liability (MTPL)	390,271,322	(123,724)	390,147,598
Fire and natural disasters	365,105,606	(54,192,967)	310,912,639
Health	227,316,529	(10,006,189)	217,310,340
General losses	224,935,776	(20,081,295)	204,854,481
Water vehicles	36,775,560	(8,602,785)	28,172,775
Accident	28,848,781	(1,149,813)	27,698,968
Transportation	29,282,574	(1,801,313)	27,481,261
General liability	27,675,052	(1,156,924)	26,518,128
Life	6,442,405	(424,101)	6,018,304
Credit	4,625,707	(95,111)	4,530,596
Air crafts	2,692,384	(9,825)	2,682,559
Financial losses	3,874,219	(1,815,453)	2,058,766
Breach of trust	198,400	(234)	198,166
Legal protection	89,463	(243)	89,220
Water Vehicles liability	55,914	--	55,914
Air crafts liability	50,253	--	50,253
Total	**2,029,172,113**	**(100,355,492)**	**1,928,816,621**

(*) Total claims liability includes outstanding claims reserve (paid).

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Group's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Group monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Group's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Group fails to meet its contractual obligations. The Group manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analyzed.

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

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Net carrying value of the assets that is exposed to credit risk is shown in the table below.

	31 December 2013	31 December 2012
Cash and cash equivalents *(Note 14)*	1,758,258,694	1,646,768,975
Receivables from main operations *(Note 12)*	953,641,241	831,903,951
Financial assets and financial investments with risks on policyholders *(Note 11)* (*)	959,403,732	478,428,280
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	113,077,255	79,668,187
Prepaid taxes and funds *(Note 12)*	17,679,207	20,191,743
Income accruals *(Note 12)*	15,491,016	17,791,902
Other receivables *(Note 12)*	3,096,793	2,305,977
Due from related parties *(Note 12)*	72,324	1,445,693
Other current asset *(Note 12)*	1,094,866	956,903
Total	**3,821,815,128**	**3,079,461,611**

(*) Equity shares amounting to TL 150,443,115 are not included (31 December 2012: TL 225,214,855).

31 December 2013 and 2012, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2013		31 December 2012	
	Gross amount	Provision	Gross amount	Provision
Not past due	698,065,557	--	584,292,638	--
Past due 0-30 days	103,500,730	--	103,804,925	--
Past due 31-60 days	16,806,610	--	19,037,313	--
Past due 61-90 days	10,921,927	--	10,164,521	--
More than 90 days (*)	137,073,366	(113,746,505)	130,560,255	(97,372,576)
Total (**)	**966,368,190**	**(113,746,505)**	**847,859,652**	**(97,372,576)**

(*) As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.
(**) Includes TL 81,315,004 (31 December 2012: TL 61,137,488) of untransferred amount collected by intermediaries and TL 29,179,630 (31 December 2012: TL 29,416,598) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having past over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 9,475,078 (31 December 2012: TL 9,137,211) are excluded from the table.

The movements of the allowances for impairment losses for receivables from main operations during the period are as follows:

	31 December 2013	31 December 2012
Provision for receivables from insurance operations at the beginning of the year	97,372,576	92,288,476
Collections during the period *(Note 47)*	(908,822)	(721,494)
Impairment losses provided during the period *(Note 47)*	1,503,704	2,637,292
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	14,237,664	3,629,250
Foreign currency translation effect *(Note 47)*	1,541,383	(460,948)
Provision for receivables from insurance operations at the end of the year	**113,746,505**	**97,372,576**

The movements of the allowances for impairment losses for other receivables are as follows:

	31 December 2013	31 December 2012
Provision for other receivables at the beginning of the year	232,377	28,088
Collections during the period *(Note 47)*	(177,160)	(56,000)
Impairment losses provided during the period *(Note 47)*	7,960	260,289
Provision for other receivables at the end of the year	**63,177**	**232,377**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Group's cash inflows and outflows in terms of maturity and volume.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Group is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Group considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

31 December 2013	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	1,757,294,990	972,561,621	709,090,007	49,960,428	25,682,934	--
Receivables from main operations	953,641,241	147,663,312	312,144,441	343,142,423	138,705,100	11,985,965
Financial assets and financial investments with risks on policyholders (*)	959,403,732	206,234,393	29,611,898	45,938,403	82,902,924	594,716,114
Other receivables and current assets	37,361,882	33,134,109	1,781,719	2,022,968	423,086	--
Due from related parties	72,324	12,054	24,108	24,108	12,054	--
Total monetary assets	**3,707,774,169**	**1,359,605,489**	**1,052,652,173**	**441,088,330**	**247,726,098**	**606,702,079**
Liabilities						
Insurance technical provisions (**)	1,368,792,250	107,521,117	211,815,830	80,988,022	68,551,187	899,916,094
Payables arising from main operations	348,117,231	61,428,473	14,621,234	263,749,010	8,318,514	--
Provisions for other risks and expense accruals	81,667,891	3,042,211	16,214,508	915,265	--	61,495,907
Other liabilities	56,847,391	18,402,240	21,458,198	10,147,654	3,802,264	3,037,035
Provisions for taxes and other similar obligations	28,647,704	27,491,024	1,156,680	--	--	--
Due to related parties	86,156	86,156	--	--	--	--
Total monetary liabilities	**1,884,158,623**	**217,971,221**	**265,266,450**	**355,799,951**	**80,671,965**	**964,449,036**

(*) Equity shares amounting to TL 150,443,115 are not included.
(**) Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

31 December 2012	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	1,645,748,238	832,680,548	734,610,173	41,486,491	36,971,026	--
Receivables from main operations	831,903,951	121,146,154	284,891,657	262,225,189	156,601,181	7,039,770
Financial assets and financial investments with risks on policyholders (*)	478,428,280	82,097,037	23,830,664	6,720,483	97,475,848	268,304,248
Other receivables and current assets	41,246,525	36,528,986	1,257,699	754,496	2,705,344	--
Due from related parties	1,445,693	--	1,445,693	--	--	--
Total monetary assets	**2,998,772,687**	**1,072,452,725**	**1,046,035,886**	**311,186,659**	**293,753,399**	**275,344,018**
Liabilities						
Insurance technical provisions (**)	1,117,761,226	97,836,608	176,861,745	32,284,573	32,373,118	778,405,182
Payables arising from main operations	226,720,673	65,237,361	10,369,375	143,652,635	7,461,302	--
Provisions for other risks and expense accruals	69,624,133	3,123,239	20,226,075	--	--	46,274,819
Other liabilities	61,419,283	19,367,684	14,884,995	1,571,951	690,830	24,903,823
Provisions for taxes and other similar obligations	17,222,799	--	17,222,799	--	--	--
Due to related parties	136,523	121,029	--	--	--	15,494
Total monetary liabilities	**1,492,884,637**	**185,685,921**	**239,564,989**	**177,509,159**	**40,525,250**	**849,599,318**

(*) Equity shares amounting to TL 225,214,855 are not included.
(**) Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Market risk

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

Foreign currency risk

The Group is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies. Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The Group's exposure to foreign currency risk is as follows:

31 December 2013	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	171,118,903	65,015,866	89,846,725	325,981,494
Cash and cash equivalents	221,840,628	12,065,700	3,679,295	237,585,623
Financial assets and financial investments with risks on policyholders	6,396,988	18,881,471	--	25,278,459
Total foreign currency assets	**399,356,519**	**95,963,037**	**93,526,020**	**588,845,576**
Liabilities:				
Payables arising from main operations	(133,464,866)	(28,622,628)	(9,631,866)	(171,719,360)
Insurance technical provisions (*)	(215,671,260)	(104,385,331)	(93,156,412)	(413,213,003)
Total foreign currency liabilities	**(349,136,126)**	**(133,007,959)**	**(102,788,278)**	**(584,932,363)**
Net on-balance sheet position	**50,220,393**	**(37,044,922)**	**(9,262,258)**	**3,913,213**

31 December 2012	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	124,642,349	57,735,670	64,247,148	246,625,167
Cash and cash equivalents	142,006,795	25,448,564	13,249,061	180,704,420
Financial assets and financial investments with risks on policyholders	4,257,009	21,825,556	--	26,082,565
Total foreign currency assets	**270,906,153**	**105,009,790**	**77,496,209**	**453,412,152**
Liabilities:				
Payables arising from main operations	(88,733,355)	(38,490,334)	(892,904)	(128,116,593)
Insurance technical provisions (*)	(189,612,066)	(154,181,583)	(65,894,251)	(409,687,900)
Total foreign currency liabilities	**(278,345,421)**	**(192,671,917)**	**(66,787,155)**	**(537,804,493)**
Net on-balance sheet position	**(7,439,268)**	**(87,662,127)**	**10,709,054**	**(84,392,341)**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	**Euro**	**US Dollar**	**Euro**
31 December 2013	2.1343	2.9365	1.9008	2.5247
31 December 2012	1.7826	2.3517	1.7925	2.2864

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2013 and 2012 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2013		31 December 2012	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	5,022,039	5,022,039	(743,927)	(743,927)
Euro	(3,704,492)	(3,704,492)	(8,766,213)	(8,766,213)
Others	(926,226)	(926,226)	1,070,905	1,070,905
Total, net	**391,321**	**391,321**	**(8,439,235)**	**(8,439,235)**

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

Exposure to interest rate risk

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

As at reporting date; the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2013	31 December 2012
Financial assets		
Financial assets with fixed interest rates:	*2,155,365,704*	*1,725,653,257*
Cash at banks *(Note 14)* (*)	1,482,513,115	1,464,942,898
Available for sale financial assets - Government bonds - TL *(Note 11)*	421,774,438	131,167,750
Cash deposited to insurance and reinsurance companies *(Note 12)*	85,423,846	74,203,638
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	131,135,080	43,448,497
Financial assets held for trading - Reverse repos *(Note 11)*	26,447,255	5,542,173
Financial assets held for trading - Eurobonds *(Note 11)*	6,396,988	4,257,009
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	1,674,982	2,091,292
Financial assets with variable interest rate:	*192,207,223*	*232,491,016*
Available for sale financial assets - Government bonds- TL *(Note 11)*	49,447,712	94,281,348
Held to maturity investments - Government bonds *(Note 11)*	94,501,549	89,590,740
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	35,815,971	28,755,609
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	11,527,204	18,959,449
Financial assets held for trading - Government bonds - TL *(Note 11)*	914,787	903,870

(*) Demand deposits amounting to TL 22,895,212 are not included (31 December 2012: TL 22,774,655).

(Currency: Turkish Lira (TL))

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2013 and 2012 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2013 and 2012. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity (*)	
31 December 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(41,560)	42,802	(41,560)	42,802
Available for sale financial assets	--	--	(8,251,944)	8,733,655
Total, net	**(41,560)**	**42,802**	**(8,293,504)**	**8,776,457**

	Profit or loss		Equity (*)	
31 December 2012	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(86,327)	88,387	(233,640)	243,320
Available for sale financial assets	--	--	(5,389,129)	5,768,296
Total, net	**(86,327)**	**88,387**	**(5,622,769)**	**6,011,616**

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

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Group has classified its financial assets as whether held for trading purpose or available for sale. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Held to maturity investments with a carrying amount of TL 94,501,549 (31 December 2012: TL 89,590,740) are measured at amortised cost and their fair value amounting to TL 93,990,092 (31 December 2012: TL 93,727,697) as at 31 December 2013 in the consolidated financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

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

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

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

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

Classification requires the utilization of observable market data, if available.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (*)	886,192,390	4,545,190	3,297,263	894,034,843
Financial assets held for trading *(Note 11)*	115,904,563	--	--	115,904,563
Total financial assets	**1,002,096,953**	**4,545,190**	**3,297,263**	**1,009,939,406**

	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (*)	505,894,341	1,312,038	3,272,355	510,478,734
Financial assets held for trading *(Note 11)*	98,287,678	--	--	98,287,678
Total financial assets	**604,182,019**	**1,312,038**	**3,272,355**	**608,766,412**

(*) As at 31 December 2013, securities that are not publicly traded amounting to TL 5,405,892 (31 December 2012: TL 5,285,983) have been measured at cost.

	31 December 2013	31 December 2012
Available for sale financial assets at the beginning of the period	**3,272,355**	**3,222,539**
Valuation increase (Account of valuation of financial assets)	24,908	49,816
Available for sale financial assets at the end of the period	**3,297,263**	**3,272,355**

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect on income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets (traded at İstanbul Stock Exchange) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (excluding tax effect):

	31 December 2013		31 December 2012	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Financial assets held for trading	(357,162)	(357,162)	(710,334)	(710,334)
Available for sale financial assets	--	(13,816,834)	--	(20,955,317)
Total, net	**(357,162)**	**(14,173,996)**	**(710,334)**	**(21,665,651)**

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

(Currency: Turkish Lira (TL))

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	**31 December 2013**	**31 December 2012**
Interest income from bank deposits	103,247,785	132,023,477
Income from equity shares	36,474,008	44,992,322
Interest income from debt securities classified as available-for-sale financial assets	33,175,149	33,067,280
Foreign exchange gains	73,484,048	19,646,211
Income from investment funds	(93,719)	17,101,774
Income from participates	17,788,246	16,999,936
Interest income from debt securities classified as held to maturity financial investments	9,909,524	9,266,300
Income from debt securities classified as held for trading financial assets	1,534,786	6,807,366
Interest income from repos	573,560	648,944
Income from derivative transactions	4,558,126	626,857
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	4,698,475	319,289
Income from subsidiaries	1,925	--
Other	1,232,065	1,240,016
Investment income	**286,583,978**	**282,739,772**
Foreign exchange losses	(31,379,597)	(30,693,599)
Loss from disposal of financial assets	(23,421,773)	(10,321,479)
Loss from valuation of financial assets	(4,677,619)	(4,837,314)
Investment management expenses (including interest)	(1,472,447)	(585,732)
Loss from derivative transactions	(6,499,680)	(311,150)
Investment expenses	**(67,451,116)**	**(46,749,274)**
Investment income, net	**219,132,862**	**235,990,498**

Financial gains and losses recognized in equity, net:	**31 December 2013**	**31 December 2012**
Fair value changes in available for sale financial assets *(Note 15)*	(20,976,221)	35,626,025
Amounts resulted from associates through equity accounted consolidation method *(Note 15)*	(7,111,853)	11,891,697
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	(4,698,475)	(319,289)
Total	**(32,786,549)**	**47,198,433**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 254,861,165 in accordance with the calculation from the unconsolidated financial statements as at 31 December 2013. As at 31 December 2013 and 2012, the capital amount of the Company presented in the consolidated financial statements are TL 702,005,911 and TL 658,397,986, respectively and as at 31 December 2013 capital surplus of the Company is amounting to TL 182,385,927 according to the communiqué.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013, minimum required capital of Anadolu Sigorta is TL 730,637,277 in accordance with the calculation from the unconsolidated financial statements of Anadolu Sigorta. As at 31 December 2013, the capital amount of Anadolu Sigorta presented in the unconsolidated financial statements are above the minimum capital requirement amounts.

5 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

The main geographical segment which the Group operates is Turkey. Hence, the Group has not disclosed report on geographical segments.

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effect (*)	Disposals	31 December 2013
Cost:					
Investment properties *(Note 7)*	48,325,615	--	--	--	48,325,615
Owner occupied properties	37,780,674	1,222,795	--	(1,089,550)	37,913,919
Machinery and equipment	26,268,960	6,531,431	--	--	32,800,391
Furniture and fixtures	12,534,797	2,431,529	42,786	(137,274)	14,871,838
Motor vehicles	2,515,065	183,855	63,609	(197,723)	2,564,806
Other tangible assets (including leasehold improvements)	4,038,677	14,977,547	--	(753,947)	18,262,277
Leased tangible assets	4,166,354	--	--	--	4,166,354
	135,630,142	**25,347,157**	**106,395**	**(2,178,494)**	**158,905,200**
Accumulated depreciation:					
Investment properties *(Note 7)*	21,323,885	966,510	--	--	22,290,395
Owner occupied properties	14,159,191	744,834	--	(542,434)	14,361,591
Machinery and equipment	20,908,142	2,971,074	--	--	23,879,216
Furniture and fixtures	10,658,371	602,411	39,443	(126,234)	11,173,991
Motor vehicles	1,359,347	458,008	19,047	(183,896)	1,652,506
Other tangible assets (including leasehold improvements)	3,255,088	648,138	--	(309,524)	3,593,702
Leased tangible assets	4,165,906	199	--	--	4,166,105
	75,829,930	**6,391,174**	**58,490**	**(1,162,088)**	**81,117,506**
Carrying amounts	**59,800,212**				**77,787,694**

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Movement in tangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effect (*)	Disposals	31 December 2012
Cost:					
Investment properties *(Note 7)*	48,325,615	--	--	--	48,325,615
Owner occupied properties	37,745,132	35,542	--	--	37,780,674
Machinery and equipment	25,657,096	674,299	--	(62,435)	26,268,960
Furniture and fixtures	12,334,124	483,512	(15,200)	(267,639)	12,534,797
Motor vehicles	2,309,072	407,024	(9,016)	(192,015)	2,515,065
Other tangible assets (including leasehold improvements)	3,783,569	255,108	--	--	4,038,677
Leased tangible assets	4,339,065	--	--	(172,711)	4,166,354
	134,493,673	**1,855,485**	**(24,216)**	**(694,800)**	**135,630,142**
Accumulated depreciation:					
Investment properties *(Note 7)*	20,357,374	966,511	--	--	21,323,885
Owner occupied properties	13,403,875	755,316	--	--	14,159,191
Machinery and equipment	17,721,482	3,203,656	--	(16,996)	20,908,142
Furniture and fixtures	10,240,433	689,484	(12,728)	(258,818)	10,658,371
Motor vehicles	1,053,263	468,548	(7,239)	(155,225)	1,359,347
Other tangible assets (including leasehold improvements)	2,965,402	289,686	--	--	3,255,088
Leased tangible assets	4,300,067	199	--	(134,360)	4,165,906
	70,041,896	**6,373,400**	**(19,967)**	**(565,399)**	**75,829,930**
Carrying amounts	**64,451,777**				**59,800,212**

(*) Foreign currency translation effect resulted from Singapore Branch.

There is not any change in depreciation method in the current period.

There is not any revaluation on tangible assets.

As at 31 December 2013 and 2012, carrying amount and fair value of the Company's operating center building located in Nişantaşı amounting to TL 18,827,166 and TL 19,455,025; respectively. As at 31 December 2013, fair value of building is amounting to TL 78,616,087 according to expert report.

7 Investment properties

As at 31 December 2013 and 2012, inflation adjusted cost and carrying amounts of the Group's investment properties are amounting to TL 48,325,615 (31 December 2012: TL 48,325,615) and TL 26,035,220 (31 December 2012: TL 27,001,730), respectively.

As at 31 December 2013 and 2012, details of investment properties and the fair values are as follows:

	31 December 2013 Carrying amount	31 December 2012 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	16,405,223	16,952,313	31 December 2013	91,103,449
Suadiye Fitness Center	3,829,252	4,004,665	31 December 2013	12,314,911
Tunaman Garage	1,692,481	1,759,737	31 December 2013	53,955,104
Villa Office Block	704,041	741,137	31 December 2013	17,426,560
Other Buildings	3,404,223	3,543,878	31 December 2013	27,528,000
Carrying amounts	**26,035,220**	**27,001,730**		**202,328,024**

(Currency: Turkish Lira (TL))

For the year ended 31 December 2013, the Group has rental income from investment properties amounting to TL 13,179,908 (31 December 2012: TL 11,204,062)

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effects (*)	Disposal	31 December 2013
Cost:					
Other intangible assets	23,749,405	11,403,469	215,086	21,885,303	57,253,263
Goodwill	16,250,000	--	--	--	16,250,000
Advances given for intangible assets	31,717,343	11,190,332	--	(23,611,361)	19,296,314
	71,716,748	**22,593,801**	**215,086**	**(1,726,058)**	**92,799,577**
Accumulated amortization:					
Other intangible assets	16,488,719	12,577,997	215,029	--	29,281,745
	16,488,719	**12,577,997**	**215,029**	**--**	**29,281,745**
Carrying amounts	**55,228,029**				**63,517,832**

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effects (*)	Disposal	31 December 2012
Cost:					
Other intangible assets	18,607,067	5,220,449	(65,010)	(13,101)	23,749,405
Goodwill	16,250,000	--	--	--	16,250,000
Advances given for intangible assets	14,336,428	17,380,915	--	--	31,717,343
	49,193,495	**22,601,364**	**(65,010)**	**(13,101)**	**71,716,748**
Accumulated amortization:					
Other intangible assets	12,346,494	4,219,426	(64,100)	(13,101)	16,488,719
	12,346,494	**4,219,426**	**(64,100)**	**(13,101)**	**16,488,719**
Carrying amounts	**36,847,001**				**55,228,029**

(*) Foreign currency translation effect resulted from Singapore Branch.

9 Investments in associates

	31 December 2013		31 December 2012	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	113,430,100	21.00	111,191,977	21.00
Associates, net	**113,430,100**		**111,191,977**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	746,207	77.00	746,207	77.00
Subsidiaries, net	**746,207**		**746,207**	
Financial asset total	**114,176,307**		**111,938,184**	

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	3,946,975	3,643,670	1,896	22,067	Not Audited	31 December 2013
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	7,908,678,756	540,143,329	10,670,470	84,705,935	Audited	31 December 2013

In the current period TL 17,788,246 of income is obtained from associates through equity accounted consolidation method (31 December 2012: TL 16,999,936).

10 Reinsurance asset and liabilities

As at 31 December 2013 and 2012, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2013	31 December 2012
Reserve for unearned premiums, ceded *(Note 17)*	254,300,451	187,994,937
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	113,077,255	79,668,187
Receivables from reinsurance companies *(Note 12)*	58,450,134	74,030,699
Cash deposited to reinsurance companies	24,225,083	23,442,444
Reinsurers share in the provision for subrogation and salvage receivables	73,949	3,622,607
Total	**450,126,872**	**368,758,874**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2013	31 December 2012
Payables to the reinsurers related to premiums written *(Note 19)*	250,847,512	133,634,266
Deferred commission income *(Note 19)*	30,341,851	27,576,172
Cash deposited by reinsurance companies	3,105,906	3,464,220
Commission payables to the reinsurers related to written premiums *(Note 23)*	649,466	5,290,556
Total	**284,944,735**	**169,965,214**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

Gains and losses recognized in the consolidated statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2013	31 December 2012
Premiums ceded during the period *(Note 17)*	(662,367,917)	(490,334,090)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(187,994,937)	(154,719,274)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	254,300,451	187,994,937
Premiums earned, ceded *(Note 17)*	**(596,062,403)**	**(457,058,427)**
Claims paid, ceded during the period *(Note 17)*	102,084,403	100,355,492
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(79,668,187)	(78,960,689)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	113,077,255	79,668,187
Claims incurred, ceded *(Note 17)*	**135,493,471**	**101,062,990**
Commission income accrued from reinsurers during the period *(Note 32)*	78,044,129	63,565,624
Deferred commission income at the beginning of the period *(Note 19)*	27,576,172	22,962,672
Deferred commission income at the end of the period *(Note 19)*	(30,341,851)	(27,576,172)
Commission income earned from reinsurers *(Note 32)*	**75,278,450**	**58,952,124**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**4,504,923**	**(10,618,033)**
Total, net	**(380,785,559)**	**(307,661,346)**

11 Financial assets

As at 31 December 2013 and 2012, the Group's financial assets are detailed as follows:

	31 December 2013	31 December 2012
Available for sale financial assets	905,238,347	521,562,329
Financial assets held for trading	115,904,563	98,287,678
Held to maturity financial assets	94,501,549	89,590,740
Impairment loss on available for sale financial assets	(5,797,612)	(5,797,612)
Total	**1,109,846,847**	**703,643,135**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, the Group's financial assets held for trading are detailed as follows:

	31 December 2013			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	13,090,000	13,104,069	13,202,186	13,202,186
Eurobonds issued by private sector	3,075,000	4,745,106	6,396,988	6,396,988
Government bonds - TL	900,000	910,156	914,787	914,787
Reverse repo		26,442,546	26,447,255	26,447,255
		45,201,877	**46,961,216**	**46,961,216**
Non-fixed income financial assets:				
Equity shares		6,214,554	3,571,623	3,571,623
Investment funds		54,862,187	65,371,724	65,371,724
		61,076,741	**68,943,347**	**68,943,347**
Total financial assets held for trading		**106,278,618**	**115,904,563**	**115,904,563**

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	20,380,000	20,399,952	21,050,741	21,050,741
Eurobonds issued by Private sector	2,300,000	3,395,963	4,257,009	4,257,009
Government bonds - TL	900,000	912,696	903,870	903,870
Reverse repo		5,541,506	5,542,173	5,542,173
		30,250,117	**31,753,793**	**31,753,793**
Non-fixed income financial assets:				
Equity shares		8,044,323	7,103,342	7,103,342
Investment funds		46,556,887	59,430,543	59,430,543
		54,601,210	**66,533,885**	**66,533,885**
Total financial assets held for trading		**84,851,327**	**98,287,678**	**98,287,678**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, the Group's available for sale financial assets are as follows:

	31 December 2013			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds - TL	469,475,533	471,005,782	471,222,150	471,222,150
Private sector bonds - TL	177,403,358	165,697,748	166,951,051	166,951,051
		636,703,530	**638,173,201**	**638,173,201**
Non-fixed income financial assets:				
Investment funds		120,403,505	114,396,042	114,396,042
Equity shares		116,241,949	152,669,104	152,669,104
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		236,645,454	**261,267,534**	**261,267,534**
Total available-for-sale financial assets		**873,348,984**	**899,440,735**	**899,440,735**

	31 December 2012			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds - TL	204,697,261	212,763,715	225,449,098	225,449,098
Private sector bonds - TL	72,290,271	69,062,598	72,204,106	72,204,106
		281,826,313	**297,653,204**	**297,653,204**
Non-fixed income financial assets:				
Equity shares		171,308,479	223,909,125	223,909,125
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		171,308,479	**218,111,513**	**218,111,513**
Total available-for-sale financial assets		**453,134,792**	**515,764,717**	**515,764,717**

All debt instruments presented above are traded in the capital markets. As at 31 December 2013, equity shares classified as available for sale financial assets with a carrying amount of TL 8,703,155 are not publicly traded (31 December 2012: TL 8,558,337).

There is no debt security issued during the period or issued before and paid during the period by the Group.

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2013, TL 5,797,612 of impairment loss is recognized for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2012: TL 5,797,612).

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	**Change in value increase/(decrease)**	**Total increase/(decrease) in value**
2013	(32,786,549)	18,869,209
2012	47,198,433	51,655,758
2011	(57,325,219)	4,457,325

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, the Group's financial assets held to maturity are as follows:

	31 December 2013			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	73,661,976	76,666,867	93,990,092	94,501,549
Total financial assets held to maturity	**73,661,976**	**76,666,867**	**93,990,092**	**94,501,549**

	31 December 2012			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	73,661,976	77,463,468	93,727,697	89,590,740
Total financial assets held to maturity	**73,661,976**	**77,463,468**	**93,727,697**	**89,590,740**

As at 31 December 2013 and 2012, the movement of the financial assets is presented below:

	31 December 2013			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**98,287,678**	**515,764,717**	**89,590,740**	**703,643,135**
Unrealized exchange differences on financial assets	3,346,055	--	--	3,346,055
Acquisitions during the period	41,796,680	1,190,000,962	--	1,231,797,642
Disposals (sale and redemption)	(22,380,770)	(777,844,922)	(796,600)	(801,022,292)
Change in the fair value of financial assets	(5,145,080)	(8,596,525)	--	(13,741,605)
Change in amortized cost of the financial assets	--	(28,242,000)	5,707,409	(22,534,591)
Bonus shares acquired	--	8,358,503	--	8,358,503
Balance at the end of the period	**115,904,563**	**899,440,735**	**94,501,549**	**1,109,846,847**

	31 December 2012			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**177,411,788**	**371,201,318**	**85,608,329**	**634,221,435**
Unrealized exchange differences on financial assets	(628,171)	--	--	(628,171)
Acquisitions during the period	21,309,949	1,036,739,253	--	1,058,049,202
Disposals (sale and redemption)	(116,471,715)	(970,031,518)	(846,956)	(1,087,350,189)
Change in the fair value of financial assets	16,654,661	33,393,738	--	50,048,399
Change in amortized cost of the financial assets	--	35,107,917	4,829,367	39,937,284
Bonus shares acquired	11,166	9,354,009	--	9,365,175
Balance at the end of the period	**98,287,678**	**515,764,717**	**89,590,740**	**703,643,135**

(Currency: Turkish Lira (TL))

Details of the financial assets issued by related parties of the Group's are as follows:

	31 December 2013			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets - Private sector bonds	138,320,000	126,613,570	127,434,395	127,434,395
Financial assets held for trading - Investment funds		54,862,187	65,371,724	65,371,724
Available for sale financial assets - Investment funds		120,403,505	114,396,042	114,396,042
Available for sale financial assets - Equity shares		33,327,777	52,870,099	52,870,099
Total		**335,207,039**	**360,072,260**	**360,072,260**

	31 December 2012			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets - Private sector bonds	58,809,436	55,908,457	58,553,587	58,553,587
Financial assets held for trading - Investment funds		46,556,887	59,430,543	59,430,543
Available for sale financial assets - Equity shares		29,108,447	54,692,598	54,692,598
Total		**131,573,791**	**172,676,728**	**172,676,728**

As at 31 December 2013 and 2012, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2013			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets *(Note 17)*	20,000,000	19,775,285	19,677,439	19,677,439
Held to maturity financial assets *(Note 17)*	64,467,988	67,074,876	82,079,788	82,596,991
Total	**84,467,988**	**86,850,161**	**101,757,227**	**102,274,430**

	31 December 2012			
	Face value	**Cost**	**Fair value**	**Carrying value**
Held to maturity financial assets *(Note 17)*	64,467,988	67,692,975	81,685,400	78,073,752
Total	**64,467,988**	**67,692,975**	**81,685,400**	**78,073,752**

12 Loans and receivables

	31 December 2013	**31 December 2012**
Receivables from main operations *(Note 4.2)*	953,641,241	831,903,951
Prepaid taxes and funds *(Note 19), (Note 4.2)*	17,679,207	20,191,743
Income accruals (*Note 4.2)*	15,491,016	17,791,902
Other receivables *(Note 4.2)*	3,096,793	2,305,977
Due from related parties *(Note 4.2)*	72,324	1,445,693
Other current asset *(Note 4.2)*	1,094,866	956,903
Total	**991,075,447**	**874,596,169**
Short-term receivables	991,075,447	874,596,169
Medium and long-term receivables	--	--
Total	**991,075,447**	**874,596,169**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, receivables from main operations are detailed as follows:

	31 December 2013	31 December 2012
Receivables from insurance companies	42,359,644	45,807,302
Receivables from reinsurance companies *(Note 10)*	58,450,134	74,030,699
Receivables from agencies, brokers and intermediaries	40,684,719	43,833,347
Total receivables from reinsurance operations, net	**141,494,497**	**163,671,348**
Receivables from agencies, brokers and other intermediaries	671,650,433	552,722,660
Receivables from policyholders	35,367,913	21,026,918
Salvage and subrogation receivables *(Note 2.21)*	29,179,630	29,416,598
Total receivables from insurance operations, net	**736,197,976**	**603,166,176**
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	85,423,846	74,203,638
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(9,475,078)	(9,137,211)
Doubtful receivables from main operations - premium receivables	25,287,994	24,693,112
Provision for doubtful receivables from main operations - premium receivables	(25,287,994)	(24,693,112)
Doubtful receivables from insurance operations - subrogation receivables	88,458,511	72,679,464
Provisions for doubtful receivables from insurance operations - subrogation receivables	(88,458,511)	(72,679,464)
Receivables from main operations	**953,641,241**	**831,903,951**

As at 31 December 2013 and 2012, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2013	31 December 2012
Letters of guarantees	153,668,419	63,533,488
Mortgage notes	71,636,758	73,623,028
Other guarantees	12,620,807	8,583,108
Government bonds and treasury bills	2,939,585	3,083,233
Total	**240,865,569**	**148,822,857**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 36,205,341 for main operations (31 December 2012: TL 34,069,076) and TL 63,177 (31 December 2012: TL 232,377) for other receivables.

b) Provision for premium receivables (due): None (31 December 2012: None).

c) Provision for subrogation receivables: TL 87,016,242 (31 December 2012: TL 72,440,711).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 - Related party transactions.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2- Financial risk management.

13 Derivative financial assets

As at 31 December 2013, the Group does not have derivative financial instruments (31 December 2012: None).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

14 Cash and cash equivalents

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

	31 December 2013		31 December 2012	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	62,280	83,735	83,735	75,156
Bank deposits	1,505,408,327	1,487,717,553	1,487,717,553	1,273,591,713
Cheques given and payment orders	(1,025,984)	(1,104,472)	(1,104,472)	(1,450,675)
Bank guaranteed credit card receivables with maturities less than three months	252,850,367	159,051,422	159,051,422	221,702,361
Cash and cash equivalents in the balance sheet	**1,757,294,990**	**1,645,748,238**	**1,645,748,238**	**1,493,918,555**
Bank deposits - blocked (*)	(151,508,738)	(125,967,207)	(125,967,207)	(130,703,265)
Time deposits with maturities longer than 3 months	(259,281,663)	(631,832,582)	(631,832,582)	(280,703,685)
Interest accruals on banks deposits	(3,969,446)	(4,657,211)	(4,657,211)	(6,104,867)
Cash and cash equivalents presented in the statement of cash flows	**1,342,535,143**	**883,291,238**	**883,291,238**	**1,076,406,738**

(*) As at 31 December 2013 TL 151,508,238 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities (31 December 2012: TL 125,966,707) *(Note 17)*.

As at 31 December 2013 and 2012, bank deposits are further analyzed as follows:

	31 December 2013	31 December 2012
Foreign currency denominated bank deposits		
- time deposits	219,236,891	161,006,017
- demand deposits	18,303,570	19,661,312
Bank deposits in Turkish Lira		
- time deposits	1,263,276,224	1,303,936,881
- demand deposits	4,591,642	3,113,343
Cash at banks	**1,505,408,327**	**1,487,717,553**

(Currency: Turkish Lira (TL))

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2013 and 2012, the shareholding structure of the Company is presented below:

	31 December 2013		31 December 2012	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	471,323,817	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	64,840,594	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	36,163,765	5.88	36,163,765	5.88
T.C. Başbakanlık Hazine Müsteşarlığı	20,724,061	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	15,310,652	2.49	15,310,652	2.49
Other	6,637,111	1.08	6,637,111	1.08
Paid in Capital	**615,000,000**	**100.00**	**615,000,000**	**100.00**

As at 31 December 2013, the issued share capital of the Group is TL 615,000,000 (31 December 2012: TL 615,000,000) and the share capital of the Group consists of 61,500,000,000 (31 December 2012: 61,500,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Group.

The Group has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Group according to the decision of the General Assembly after the 5th year of the Group. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves *(Note 38)*, 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As at 31 December 2013, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% of shares is owned by the Group, is consolidated by using the equity method.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves at the beginning of the period	**75,456,222**	**73,993,593**
Transfer from profit	856,676	1,462,629
Legal reserves at the end of the period	**76,312,898**	**75,456,222**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, "Other Reserves and Retained Earnings" includes only extraordinary reserves.

	31 December 2013	31 December 2012
Other profit reserves	25,325,325	25,325,325
Extraordinary reserves	16,896,500	17,420,430
Other capital reserves	4,677,381	4,677,381
Other earnings and losses	(648,686)	--
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	**(24,809,529)**	**(23,636,913)**

Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As at 31 December 2013, tax exempt gain from participation shares and real estate sale amounting to TL 4,677,381 (31 December 2012: TL 4,677,381) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2013	31 December 2012
Extraordinary reserves at the beginning of the period	**17,420,430**	**14,084,730**
Transfer from profit	(523,930)	3,335,700
Extraordinary reserves at the end of the period	**16,896,500**	**17,420,430**

Subsidiary capital correction

On 30 September 2010,, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71,060,049), is recorded under "Subsidiary Capital Correction" account under equity.

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 - transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other.

As at 31 December 2013, the earthquake provision provided in accordance with this circular is TL 25,325,325 (31 December 2012: TL 25,325,325).

(Currency: Turkish Lira (TL))

As of 31 December 2013, in accordance with the revision of TAS 19 TL (648,686) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies are exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

In the direction of sector announcement made by Treasury dated 27 October 2008 and numbered 2008/41, the Company classified the gain on sale from the land in real estate amounting to TL 371,233 which is into "Profit not Available for Distribution" in accordance with the Board of Directors decision dated 28 May 2013 and numbered 6680.

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2013, total amount of statutory reserves allocated as mentioned method is TL 43,612,652 (31 December 2012: TL 45,217,862). In the current period TL 1,605,210 fund is provided from 2013 profit.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2013, foreign currency translation reserve amounting to TL 9,246,073 loss (31 December 2012: TL 3,588,736 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2013 and 2012, movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2013	31 December 2012
Fair value reserves at the beginning of the period	**51,655,758**	**4,457,325**
Change in the fair value during the period *(Note 4,2)*	(20,976,221)	35,626,025
Resulted from equity accounted associate *(Note 4,2)*	(7,111,853)	11,891,697
Net gains transferred to the statement of income *(Note 4,2)*	(4,698,475)	(319,289)
Fair value reserves at the end of the period	**18,869,209**	**51,655,758**

16 Other reserves and equity component of DPF

As at 31 December 2013 and 2012, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2013 and 2012, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Group. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 - *Summary of significant accounting policies*.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

As at 31 December 2013 and 2012, technical reserves of the Group' are as follows:

	31 December 2013	31 December 2012
Reserve for unearned premiums, gross	1,747,176,975	1,467,375,284
Reserve for unearned premiums, ceded *(Note 10)*	(254,300,451)	(187,994,937)
Reserve for unearned premiums, SSI share	(34,755,134)	(20,200,015)
Reserves for unearned premiums, net	**1,458,121,390**	**1,259,180,332**
Provision for outstanding claims, gross	1,481,869,505	1,197,429,413
Provision for outstanding claims, ceded *(Note 10)*	(113,077,255)	(79,668,187)
Provision for outstanding claims, net	**1,368,792,250**	**1,117,761,226**
Provision for unexpired risk	26,947,541	10,561,921
Provision for unexpired risk, ceded	(9,172,016)	(4,667,093)
Provision for outstanding claims, net	**17,775,525**	**5,894,828**
Equalization provision, net [(*)]	66,371,127	50,420,599
Other technical provisions, net	**66,371,127**	**50,420,599**
Life mathematical provisions	**641,636**	**1,020,079**
Total technical provisions, net	**2,911,701,928**	**2,434,277,064**
Short-term	2,845,330,801	2,383,856,465
Medium and long-term	66,371,127	50,420,599
Total technical provisions, net	**2,911,701,928**	**2,434,277,064**

[(*)] Net losses (after reinsurance resulted from earthquakes occurred in 2013 amounting to TL 23,840,767 are decreased from prior periods' equalization provision based on regulation (2012: TL 20,170,880).

As at 31 December 2013 and 2012, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2013			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI Share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,467,375,284	(187,994,937)	(20,200,015)	1,259,180,332
Premiums written during the period	3,597,154,330	(662,367,917)	(63,967,223)	2,870,819,190
Premiums earned during the period	(3,317,352,639)	596,062,403	49,412,104	(2,671,878,132)
Reserve for unearned premiums at the end of the period	**1,747,176,975**	**(254,300,451)**	**(34,755,134)**	**1,458,121,390**

	31 December 2012			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI Share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,379,683,883	(154,719,274)	(14,079,233)	1,210,885,376
Premiums written during the period	3,184,558,637	(490,334,090)	(43,862,878)	2,650,361,669
Premiums earned during the period	(3,096,867,236)	457,058,427	37,742,096	(2,602,066,713)
Reserve for unearned premiums at the end of the period	**1,467,375,284**	**(187,994,937)**	**(20,200,015)**	**1,259,180,332**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2013		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1,197,429,413	(79,668,187)	1,117,761,226
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,120,360,816	(135,493,471)	1,984,867,345
Claims paid during the period	(1,835,920,724)	102,084,403	(1,733,836,321)
Provision for outstanding claims at the end of the period	**1,481,869,505**	**(113,077,255)**	**1,368,792,250**

	31 December 2012		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1,035,991,135	(78,960,689)	957,030,446
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,190,610,391	(101,062,990)	2,089,547,401
Claims paid during the period	(2,029,172,113)	100,355,492	(1,928,816,621)
Provision for outstanding claims at the end of the period	**1,197,429,413**	**(79,668,187)**	**1,117,761,226**

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta AŞ.

	31 December2013		
	Should be placed (**)	**Placed (*)**	**Carrying amount**
Non life:			
Bank deposits *(Note 14)*		151,443,845	151,508,238
Financial assets (*) *(Note 11)*		101,932,249	102,274,430
Total	**230,055,081**	**253,376,094**	**253,782,668**

	31 December 2012		
	Should be placed (**)	**Placed (*)**	**Carrying amount**
Non life:			
Bank deposits *(Note 14)*		125,966,707	125,966,707
Financial assets (*) *(Note 11)*		81,685,400	78,073,752
Total	**190,733,433**	**207,652,107**	**204,040,459**

(*) As at 31 December 2013, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies".
(**) According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2013 (31 December 2012) will be through the calculated amounts as of 30 June 2013 (30 June 2012), the settled amounts as of June is presented as "should be placed" amounts.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group's portfolio as individual or group during the period

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2013, short-term prepaid expenses amounting to TL 278,786,333 (31 December 2012: TL 256,579,864) consist of deferred production expenses; deferred commission expenses amounting to TL 272,881,015 (31 December 2012: TL 249,836,313) and other prepaid expenses amounting to TL 5,905,318 (31 December 2012: TL 6,743,551). Long-term prepaid expenses amounting TL 34,671 (31 December 2012: TL 564,809) are composed of other prepaid expenses.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2013	31 December 2012
Deferred commission expenses at the beginning of the period	249,836,313	237,989,180
Commissions accrued during the period *(Note 32)*	591,321,889	566,849,994
Commissions expensed during the period (*)	(568,277,187)	(555,002,861)
Deferred commission expenses at the end of the period	**272,881,015**	**249,836,313**

(*) In accordance with the "Sector Amendment Related with Amendment to Sector Amendment" dated 8 February 2012 and numbered 2011/14, commissions expensed during the period is recognized as commission expense amounting to TL 568,277,187 *(Note 32)*.

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2013	31 December 2012
Payables from main operations	348,117,231	226,720,673
Other payables	56,847,391	61,419,283
Short/long term deferred income and expense accruals	58,234,314	51,069,573
Taxes and other liabilities and similar obligations	28,647,704	17,222,799
Due to related parties *(Note 45)*	86,156	136,523
Total	**491,932,796**	**356,568,851**
Short-term liabilities	491,932,796	331,568,814
Long-term liabilities	--	25,000,037
Total	**491,932,796**	**356,568,851**

As at 31 December 2013, other payables amounting to TL 56,847,391 (31 December 2012: TL 61,419,283) consist of treatment cost payables to SSI amounting to TL 25,801,332 (31 December 2012: TL 32,995,997), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 27,966,606 (31 December 2012: TL 25,207,751) and deposits and guarantees received amounting to TL 3,079,453 (31 December 2012: TL 3,215,535).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 30,341,851 (31 December 2012: TL 27,576,172) *(Note 10)*. Expense accruals and deferred income details are presented below:

	31 December 2013	31 December 2012
Security fund provision	6,180,307	4,110,519
Personnel premium provision	8,942,989	7,132,375
Agency remuneration provision	4,300,000	2,650,000
Sliding scale commission provision *(Note 10)*	649,466	5,290,556
Deferred rent income	104,930	127,420
Other accruals	7,714,771	115,864
Personnel salary increase provision	--	4,050,000
Deferred income and expense accruals	**27,892,463**	**23,476,734**

(Currency: Turkish Lira (TL))

Payables arising from main operations of the Group as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Payables to reinsurance companies *(Note 10)*	250,847,512	133,634,266
Payables to agencies, brokers and intermediaries	29,888,503	24,690,781
Cash deposited by insurance and reinsurance companies	4,110,433	4,233,782
Total payables arising from insurance operations	**284,846,448**	**162,558,829**
Payables arising from other operating activities	63,270,783	64,161,844
Payables arising from main operations	**348,117,231**	**226,720,673**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2013	31 December 2012
Corporate tax liabilities	--	--
Taxes paid during the period	17,679,207	20,191,743
Corporate tax assets, net	**17,679,207**	**20,191,743**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

None (31 December 2012: None).

21 Deferred taxes

As at 31 December 2013 and 2012, deferred tax assets and liabilities are attributable to the following:

	31 December 2013	31 December 2012
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Carried forward tax losses *(Not 2.18)*	19,898,643	41,505,876
Provision for the pension fund deficits	7,263,205	6,219,079
Equalization provision	6,660,127	4,209,203
Provisions for employee termination benefits	3,750,364	3,205,693
Reserve for unexpired risks	3,554,952	1,178,966
Income accruals	(2,880,863)	(2,943,399)
Other provisions	2,445,686	3,892,198
Provision for subrogation receivables	1,895,016	1,827,442
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(1,450,880)	(454,134)
Discount of receivables and payables	88,322	(314,171)
Subrogation receivables from third parties	(603,708)	(1,999,672)
Valuation differences in financial assets	508,561	(2,878,481)
Other	(522,879)	116,780
Deferred tax assets, net	**40,606,546**	**53,565,380**

As at 31 December 2013, the Group has deductible tax losses presented below with maturities and amounts in detail. The Group has recognized deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Group's projections.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2013
31 December 2016	95,828,488
31 December 2017	3,664,725
Total	**99,493,213**

Movement of deferred tax assets as at 31 December 2013 and 2012 are given below:

	31 December 2013	31 December 2012
Opening balance at 1 January	**53,565,380**	**58,418,543**
Recognized in profit or loss	(20,539,972)	507,822
Recognized in equity	7,581,138	(5,360,985)
Closing balance at 31 December	**40,606,546**	**53,565,380**

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Pension Fund of Anadolu Anonim Türk Sigorta Şirketi") which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

(Currency: Turkish Lira (TL))

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 36,316,026 (31 December 2012: TL 31,095,395) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2013 and 2012, technical deficit from pension funds comprised the following:

	31 December 2013	31 December 2012
Net present value of total liabilities other than health	(75,085,832)	(68,578,765)
Net present value of insurance premiums	14,130,474	13,312,832
Net present value of total liabilities other than health	**(60,955,358)**	**(55,265,933)**
Net present value of health liabilities	(12,130,190)	(10,967,935)
Net present value of health premiums	7,744,271	7,295,668
Net present value of health liabilities	**(4,385,919)**	**(3,672,267)**
Pension fund assets	**29,025,251**	**27,842,805**
Amount of actuarial and technical deficit	**(36,316,026)**	**(31,095,395)**

Plan assets are comprised of the following items:

	31 December 2013	31 December 2012
Properties	18,270,000	17,680,000
Cash and cash equivalents	3,658,902	5,469,413
Associates	6,995,082	4,556,404
Securities portfolio	4,786	4,786
Other	96,481	132,202
Total plan assets	**29,025,251**	**27,842,805**

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı (Pension Fund of Anadolu Anonim Türk Sigorta Şirketi), which has been founded in accordance with the Article 20 of the Social Securities Act No: 506 and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and charges

As at 31 December 2013 and 2012; the provisions for other risks are disclosed as follows:

	31 December 2013	31 December 2012
Provision for pension fund deficits *(Note 22)*	36,316,026	31,095,395
Provision for employee termination benefits	17,564,332	15,179,424
Provision for unused vacation	1,187,490	849,038
Total provision for other risks	**55,067,848**	**47,123,857**

(Currency: Turkish Lira (TL))

Movement of provision for employee termination benefits during the period is presented below:

	31 December 2013	31 December 2012
Provision at the beginning of the period	15,179,424	11,781,696
Interest cost *(Note 47)*	1,142,263	891,010
Service cost *(Note 47)*	1,302,464	1,153,245
Payments during the period *(Note 47)*	(1,148,932)	(1,389,111)
Actuarial differences *(Note 47)*	1,089,113	2,742,584
Provision at the end of the period	**17,564,332**	**15,179,424**

24 Net insurance premium

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management.*

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*

28 Asset held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

29 Insurance rights and claims

	31 December 2013		31 December 2012	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,596,545)	(1,727,239,776)	(6,018,305)	(1,922,798,316)
Changes in provision for outstanding claims, net off reinsurers' share	(407,807)	(250,623,217)	(326,893)	(160,403,887)
Changes in reserve for unearned premium, net off reinsurers' share	(389,342)	(198,551,716)	344,181	(48,639,137)
Change in equalization provision	(265,425)	(15,685,103)	(252,279)	(15,278,762)
Change in life mathematical provisions, net off reinsurers' share	378,443	--	357,622	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	(11,880,697)	--	87,708,585
Total	**(7,280,676)**	**(2,203,980,509)**	**(5,895,674)**	**(2,059,411,517)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

32 Operating expenses

As at and for the years ended 31 December 2013 and 2012, the operating expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Commission expenses *(Note 17)*	9,126,591	559,150,596	7,330,952	545,078,813
Commissions to the intermediaries accrued during the period (Note 17)	*9,243,376*	*582,078,513*	*7,235,972*	*557,020,926*
Changes in deferred commission expenses (Note 17)	*(116,785)*	*(22,927,917)*	*94,980*	*(11,942,113)*
Employee benefit expenses *(Note 33)*	847,224	125,663,723	827,918	115,463,359
Foreign exchange losses	130,722	22,447,446	87,332	17,272,937
Administration expenses	20,922	77,341,542	30,710	63,641,754
Commission income from reinsurers *(Note 10)*	(66,285)	(75,212,165)	(93,781)	(58,858,343)
Commission income from reinsurers accrued during the period (Note 10)	*(88,165)*	*(77,955,964)*	*(89,453)*	*(63,476,171)*
Change in deferred commission income (Note 10)	*21,880*	*2,743,799*	*(4,328)*	*4,617,828*
Advertising and marketing expenses	--	10,695,100	--	15,280,987
Outsourced benefits and services	--	2,585,347	--	1,559,160
Other	5	22,799,818	40	59,867,491
Total	**10,059,179**	**745,471,407**	**8,183,171**	**759,306,158**

33 Employee benefit expenses

As at and for the years ended 31 December 2013 and 2012, employee benefit expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Wages and salaries	543,890	89,754,008	659,698	83,214,272
Employer's share in social security premiums	87,881	18,873,566	103,623	16,184,527
Pension fund benefits	215,453	3,137,892	64,597	3,442,380
Other	--	13,898,257	--	12,622,180
Total *(Note 32)*	**847,224**	**125,663,723**	**827,918**	**115,463,359**

34 Financial costs

Finance costs of the period are presented in "Note 4.2 - *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the consolidated statement of income.

(Currency: Turkish Lira (TL))

35 Income tax expense

Income tax expense in the accompanying consolidated financial statements is as follows:

	31 December 2013	31 December 2012
Corporate tax expense:		
Corporate tax provision	--	--
Deferred taxes:		
Origination and reversal of temporary differences	(20,539,972)	507,822
Total tax expense/income	**(20,539,972)**	**507,822**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
Profit/(loss) before taxes	**120,526,022**	**Tax rate (%)**	**38,894,601**	**Tax rate (%)**
Taxes on income per statutory tax rate	24,105,204	20.00	7,778,920	20.00
Tax exempt income	(6,571,112)	(5.45)	(6,852,652)	(17.62)
Prior period foreign branch financial losses recognized in current year deferred tax	--	--	(4,345,240)	(11.17)
Non-deductible expenses	3,005,880	2.49	2,911,150	7.48
Total tax expense/(income) recognized in consolidated profit or loss	**20,539,972**	**17.04**	**(507,822)**	**(1.31)**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	31 December 2013	31 December 2012
Net profit/(loss) for the period	99,986,050	39,402,423
Weighted average number of shares	61,500,000,000	61,500,000,000
Earnings/(loss) per share (TL)	0.00162579	0.00064069

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortization, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves cannot be divided, profit cannot be transferred to next year and share of profit cannot be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

As a result of the Ordinary General Meeting of the Company held on 28 March 2013, the Company has profit amounting to TL 98,348,818 for 2012, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

(Currency: Turkish Lira (TL))

42 Risks

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under provision for outstanding claims in the accompanying consolidated financial statements.

As at 31 December 2013, total amount of the claims that the Group face is TL 726,988,000 in gross (31 December 2012: TL 583,233,000), The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2013, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 206,337,000 (31 December 2012: TL 149,734,000).

"Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi, subsidiary of the Company, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties.

As of the report date the Company made a payment of TL 3,283,986 for tax assessments, also due to a precautionary condition the company has made a provision to the amount of TL 7,615,549 (31 December 2012: None).

"Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Milli Reasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties.

As of the report date, the Company has not reserved provision for related tax assessments, because there is not any certain case (31 December 2012: None).

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	31 December 2013	31 December 2012
Within one year	6,226,305	6,466,154
Between one to five years	7,725,700	10,705,568
More than 5 years	--	--
Total of minimum rent payments	**13,952,005**	**17,171,722**

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

45 Related party transactions

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

The related party balances as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	133,352,802	18,706,800
Bonds issued by İş Bankası A.Ş. *(Note 11)*	122,028,890	58,029,245
Equity shares of the related parties *(Note 11)*	52,870,099	54,692,598
Investment funds founded by İşbank GmbH *(Note 11)*	18,881,470	21,825,556
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	13,944,765	5,066,701
Investment funds founded by İş Bankası A.Ş. *(Note 11)*	13,588,729	13,831,486
Bonds issued by İş Finansal Kiralama A.Ş. *(Note 11)*	5,405,505	524,342
Financial assets	**360,072,260**	**172,676,728**
Türkiye İş Bankası A.Ş.	1,103,365,968	726,921,768
Other	13,158	74,565,612
Banks	**1,103,379,126**	**801,487,380**
Türkiye İş Bankası A.Ş.	76,454,603	50,912,248
Axa Sigorta A.Ş.	7,348,938	233,841
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	5,743,294	5,022,620
Allianz Sigorta A.Ş.	2,334,720	1,147,259
Ziraat Sigorta A.Ş.	914,258	--
Ziraat Hayat ve Emeklilik	631,966	--
Groupama Sigorta A.Ş.	529,594	--
Anadolu Hayat	118,698	124,620
İstanbul Umum Sigorta A.Ş.	89,576	76,182
Ergo Sigorta A.Ş.	18,245	18,245
Receivables from main operations	**94,183,892**	**57,535,015**
Due from personnel	72,324	1,445,693
Due from related parties	**72,324**	**1,445,693**
Ergo Sigorta A.Ş.	6,290,123	5,887,219
Türkiye İş Bankası A.Ş.	5,900,234	5,713,391
Güven Sigorta T.A.Ş.	746,997	457,086
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	365,739	316,169
Groupama Sigorta A.Ş.	57,003	441,295
Axa Sigorta A.Ş.	52,740	49,762
İstanbul Umum Sigorta A.Ş.	41,830	39,554
Allianz Sigorta A.Ş.	37,892	37,236
AvivaSa Emeklilik A.Ş.	372	--
Payables from main operations	**13,492,930**	**12,941,712**
Due to shareholders	72,450	87,944
Due to other related parties	13,706	48,579
Due to related parties	**86,156**	**136,523**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

The transactions with related parties during the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
İş Bankası	261,701,058	207,616,974
Axa Sigorta AŞ	40,679,330	36,830,622
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	38,432,938	35,458,879
Allianz Sigorta AŞ	29,752,319	25,933,759
Ergo Sigorta AŞ	20,126,753	32,774,685
Groupama Sigorta AŞ	9,227,875	7,800,594
Ziraat Sigorta A.Ş.	6,668,139	--
Anadolu Hayat	2,682,753	2,408,205
Ziraat Hayat ve Emeklilik	2,236,068	--
AvivaSa Emeklilik AŞ	147,535	614,282
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	36	87
Premiums received	**411,654,804**	**349,438,087**
Ergo Sigorta AŞ	12,818	50,790
Groupama Sigorta AŞ	3,615	17,606
Axa Sigorta AŞ	1,816	10,434
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	591	3,332
Allianz Sigorta AŞ	18	57
İstanbul Umum Sigorta AŞ	4	4
Premiums ceded	**18,862**	**82,223**
Ergo Sigorta AŞ	1,721	16,763
Allianz Sigorta A.Ş.	2	4
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(377)	2,764
Axa Sigorta AŞ	(968)	7,265
Groupama Sigorta AŞ	(2,096)	15,728
Commissions received	**(1,718)**	**42,524**
Axa Sigorta AŞ	7,453,799	6,811,293
Allianz Sigorta AŞ	7,208,680	6,401,483
Ergo Sigorta A.Ş.	3,206,199	8,165,773
Ziraat Sigorta A.Ş.	1,584,204	--
Groupama Sigorta AŞ	1,569,297	1,486,282
Anadolu Hayat	293,709	231,115
AvivaSa Emeklilik AŞ	116,677	375,709
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(16,700)	67,137
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	(7,353,671)	6,914,223
İş Bankası	(23,198,017)	20,971,481
Commissions given	**(9,135,823)**	**51,424,496**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

	31 December 2013	31 December 2012
Axa Sigorta AŞ	29,923,899	40,265,158
Ergo Sigorta AŞ	18,813,359	32,858,939
Allianz Sigorta AŞ	10,687,045	14,010,468
Groupama Sigorta AŞ	5,083,342	6,244,647
Ziraat Sigorta A.Ş.	3,127,877	--
Ziraat Hayat ve Emeklilik	1,447,702	--
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,255,493	1,173,115
Anadolu Hayat	125,444	208,621
AvivaSa Emeklilik AŞ	97,033	28,695
Claims paid	**70,561,194**	**94,789,643**
Groupama Sigorta AŞ	164,896	197,390
Axa Sigorta AŞ	118,737	110,320
Ergo Sigorta AŞ	75,352	129,934
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	62,798	59,022
İstanbul Umum Sigorta AŞ	15,759	11,393
Allianz Sigorta AŞ	12,111	8,849
Reinsurance's share of claims paid	**449,653**	**516,908**
Axa Sigorta AŞ	1,422,610	132,307
Ergo Sigorta AŞ	612,076	88,524
Allianz Sigorta AŞ	136,473	6,920
Groupama Sigorta AŞ	134,495	154,583
Ziraat Sigorta A.Ş.	24,875	--
Anadolu Hayat	2,869	784
AvivaSa Emeklilik AŞ	122	313
Other income	**2,333,520**	**383,431**
Ergo Sigorta AŞ	323,749	397,072
Axa Sigorta AŞ	254,596	752,758
Allianz Sigorta AŞ	82,705	323,688
Groupama Sigorta AŞ	22,614	79,396
Ziraat Sigorta A.Ş.	5,750	--
Ziraat Hayat ve Emeklilik	2,331	--
Anadolu Hayat	465	3,958
AvivaSa Emeklilik AŞ	16	79
Other expenses	**692,226**	**1,556,951**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements as at 31 December 2013

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1
(Currency: Turkish Lira (TL))

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

As at and for the year ended 31 December 2013 and 2012, details of discount and provision expenses are as follows:

	31 December 2013	31 December 2012
Provision expense for doubtful receivables *(Note 4.2)* (*)	(16,204,729)	(5,288,389)
Provision for pension fund deficits *(Note 23)*	(5,220,631)	(5,925,148)
Provision expense for employee termination benefits *(Note 23)*	(1,295,795)	(3,397,728)
Provision expenses for unused vacation *(Note 23)*	(338,452)	(127,037)
Provision expenses for tax assessments *(Note 42)*	(7,615,549)	--
Other provision expenses *(Note 4.2)* (*)	1,798	(1)
Provision expenses	**(30,673,358)**	**(14,738,303)**

(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 16,373,929 (31 December 2012: TL 5,084,100) and provision expense on doubtful receivables from other receivables amounting to TL 169,200 *(Note 4.2)* (31 December 2012: TL 204,289).

	31 December 2013	31 December 2012
Rediscount income/(expense) from main operations receivables	(10,487,709)	(13,699,446)
Rediscount income/(expense) from main operations payables	12,868,639	12,975,859
Total of rediscounts	**2,380,930**	**(723,587)**

Contact Information

Millî Reasürans T.A.Ş.
Maçka Caddesi No: 35 34367
Şişli - İstanbul - Turkey

Phone : +90 (212) 231 47 30
Fax : +90 (212) 230 86 08
E-mail : info@millire.com
: millire@millire.com

Singapore Branch
24 Raffles Place #17-04A, Clifford Centre
Singapore 048621

Phone : +65 6499 9340
Fax : +65 6534 2884
E-mail : kc.chew@millire.com

www.millire.com
www.millire.com.tr

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com