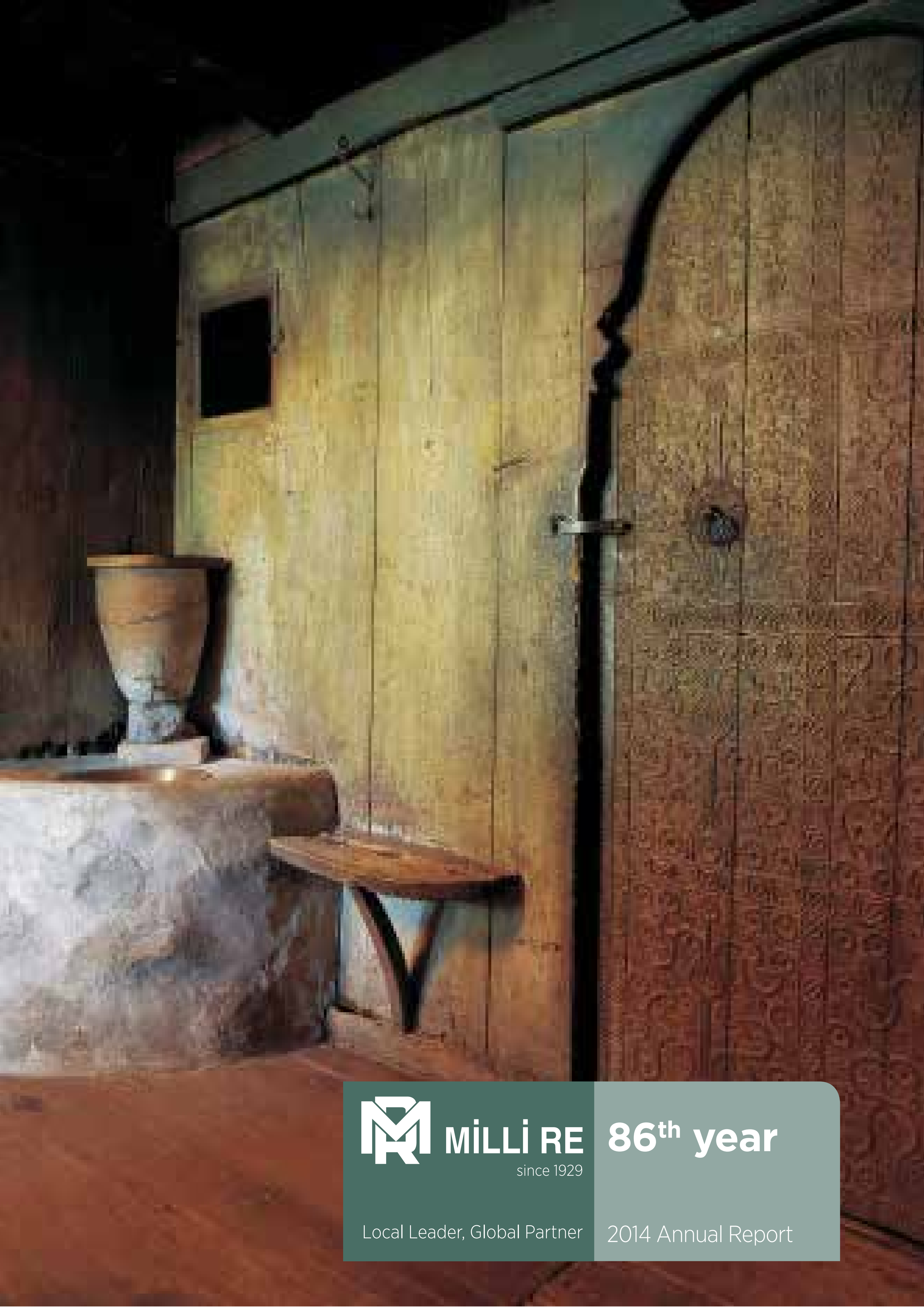


MİLLİ RE

since 1929

86th year

Local Leader, Global Partner

2014 Annual Report

General Information

Millî Reasürans Türk Anonim Şirketi
2014 Annual Report

Harbiye Mah. 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

Central Registry System (Mersis) No:
0621003912600011

Singapore Branch
4 Battery Road #20-01
Bank of China Building Singapore 049908
Phone : +65 6499 9340
Fax : +65 6534 2884
E-mail : kc.chew@millire.com

Web address: www.millire.com
www.millire.com.tr

Contents

General Information
1 Vision, Mission
4 Corporate Profile
6 Milli Re Shareholder Structure
7 Milestones
8 Chairman's Message
10 General Manager's Message
16 Board of Directors
19 Participation of the Members of the Board of Directors in Relevant Meetings during the Fiscal Period
20 Senior Management
23 Internal Systems Managers
24 Human Resources Applications
28 Organization Chart
29 2014 Annual Report Compliance Statement
30 Report on the Audit of Board of Directors' Annual Report

Financial Rights Provided to the Members of the Governing Body and Senior Executives and the Company's Research & Development Activities
32 Financial Rights Provided to the Members of the Governing Body and Senior Executives
32 The Company's Research & Development Activities

Company Activities and Major Developments in Activities
36 Turkish Economy and Outlook
39 An Overview of the Turkish Insurance Industry in 2014
42 An Overview of the Global Reinsurance Market in 2014
45 Turkish Reinsurance Market and Milli Re in 2014
48 Financial Strength Figures
48 An Assessment of Financial Strength, Profitability and Solvency Margin
49 An Assessment of the Company Capital
50 Milli Re Technical Results in 2014
53 Local Portfolio
59 International Portfolio
70 Internal Audit Practices
71 Internal Control Practices
72 Affiliates
73 Issues Related to the General Assembly
74 Report by the Board of Directors
76 Information on the Company's Activities
77 Corporate Social Responsibility

Financial Status
80 Key Financial Indicators
81 Key Financial Figures
82 An Evaluation of 2014 Financial Results
84 Dividend Distribution Policy and Proposal

Risks and Assessment of the Governing Body
87 Risk Management Practices
91 Assessment of Capital Adequacy
91 Transactions Carried out with Milli Re's Risk Group

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

Unconsolidated Financial Statements and Independent Auditors' Report
95 Independent Auditors' Report
97 Unconsolidated Financial Statements as at and for the Year Ended 31 December 2014
100 Unconsolidated Balance Sheet as at 31 December 2014
105 Unconsolidated Statement of Income for the Year Ended 31 December 2014
108 Unconsolidated Statement of Changes in Equity for the Year Ended 31 December 2014
110 Unconsolidated Statement of Cash Flows for the Year Ended 31 December 2014
111 Unconsolidated Statement of Profit Distribution for the Year Ended 31 December 2014
112 Notes to the Unconsolidated Financial Statements as at 31 December 2014

Consolidated Financial Statements and Independent Auditors' Report
163 Information on Consolidated Subsidiaries
164 Independent Auditors' Report
166 Consolidated Financial Statements as at and for the Year Ended 31 December 2014
168 Consolidated Balance Sheet as at 31 December 2014
173 Consolidated Statement of Income for the Year Ended 31 December 2014
176 Consolidated Statement of Changes in Equity for the Year Ended 31 December 2014
178 Consolidated Statement of Cash Flows for the Year Ended 31 December 2014
179 Consolidated Statement of Profit Distribution for the Year Ended 31 December 2014
180 Notes to the Consolidated Financial Statements as at 31 December 2014

Content Information

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.

The photographs used in this report are from the book entitled "Rural Architecture in the Eastern Black Sea Region" which was published by Milli Re and which was prepared for the Ali Konyalı exhibition held at Milli Re Art Gallery under the same name.

> Milli Re has been taking every effort to support the development of the insurance industry in Turkey and sustain contemporary service levels. The Company meets the reinsurance capacity requirements in the market with best terms and conditions.

1929

Milli Re commenced operations on July 19, 1929.

Corporate Profile

Milli Re was set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system on February 26, 1929, and commenced operations on July 19, 1929.

A global, prestigious and widely trusted reinsurer

Milli Re, which has taken on significant roles in the formation and development of the Turkish insurance industry, is the world's single privately-owned company that has operated a compulsory reinsurance system. Having redefined its goals and strategies in alignment with the current conditions upon termination of the compulsory reinsurance system, the Company today continues to serve as a global, prestigious and trusted reinsurer.

A reliable and unrivalled position in the local market

Milli Re has been taking every effort to support the development of the insurance industry in Turkey and sustain contemporary service levels. The Company meets the reinsurance capacity requirements of the market with best terms and conditions, contributing significantly to customer satisfaction of insurance companies by offering rapid claim payments.

As well as operating the compulsory reinsurance system, the Company has also undertaken numerous contributions to our country such as;

- The nationalization of the Turkish insurance industry,
- Generating of continuous revenues for the Undersecretariat of the Turkish Treasury,
- A significant reduction in the outflow of foreign currency,
- Execution of training and education programs in insurance business,
- Conducting top-notch international relations.

Management of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool

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 of 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 between 2000 and 2005.

“ Having redefined its goals and strategies in alignment with the current conditions, Milli Re continued to serve as a global, prestigious and trusted reinsurer in 2014 as well.

Corporate Profile

A reinsurance company recognized in the international markets

Following the recent changes in the portfolio structure within the framework of its strategy to penetrate foreign markets, Milli Re began writing business from international markets in 2006. In line with this strategy the Singapore branch was opened in 2007.

Having brought its justified reputation and technical knowledge gained in the Turkish market to international markets with the support of its financial strength, Milli Re has continued to maintain its credibility in international markets by displaying a strong performance in a short time.

On June13, 2014, 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 22, 2014.

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

A preferred business partner in the local market as well as in the international arena

With a focus on the future, Milli Re offers the structural competence and equity necessary to achieve growth. The Company's main objective is to demonstrate sustainable growth and to reflect its strong position in the local insurance market to international markets in the context of a business approach that gives utmost care to the risk/return balance.

Milli Re Singapore Branch

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. The activities of the Singapore Branch make up an important part of the international portfolio of Milli Re.

Anadolu Sigorta

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

Milli Re Shareholder Structure

Shareholder	Value of Stake (TL)	Stake (%)
İşbank	505,810,925.41	76.64
Milli Re Staff Pension Fund	69,585,027.60	10.54
Groupama Emeklilik A.Ş.	38,809,894.19	5.88
Republic of Turkey Prime Ministry Privatization Administration	22,240,455.60	3.37
Ziraat Bank	16,430,944.19	2.49
Other	7,122,753.01	1.08
Total	660,000,000.00	100.00

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

Capital Increases
In accordance with Annual General Assembly decision taken on March 26, 2014, the Company's paid-up capital was increased from TL 615,000,000 to TL 660,000,000, and to cover the difference, TL 39,500,000 from statutory reserves and TL 5,500,000 from extra-ordinary reserves were used. The registration procedure for the increase was completed on April 07, 2014 and announced in the April 11, 2014 issue of the Turkish Trade Registry Gazette no: 8548.

Changes in the Shareholder Structure during 2014
As of March 24, 2014 the shares of The Undersecretariat of Turkish Treasury were included under the privatization program and transferred to the Privatization Administration of the Prime Ministry of the Republic of Turkey.

Changes in the Articles of Association during 2014
Article 6 of the Company's Articles of Association has been amended and approved in the Annual General Meeting on March 26, 2014 to reflect the increase of the Company's paid-up capital from TL 615,000,000 to TL 660,000,000.

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 signed with Turkish insurance companies.

1967

The management of "RCD Fire Reinsurance Pool", established under the agreement of "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 Association of the Insurance and Reinsurance Companies 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 were changed from Quota Share basis 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".

First issue of "Reasürör" magazine, which is a scientific resource with full academic content including compilations, translations, interviews, and statistical information in various lines of business, was published.

1993

Milli Re moved to its new head office in Teşvikiye.

1994

Milli Reasürans Art Gallery, a corporate gallery where art works by prominent local and foreign artists are exhibited, 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 in respect of the "Compulsory Earthquake Insurance" system by the Undersecretariat of Turkish Treasury started its operations 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 international markets.

Decree Pool was terminated.

2007

Singapore Branch, which is expected to play an important role for Milli Re in expanding in international 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 one and only active local reinsurance company, increased its share in the capital of Anadolu Sigorta, one of the largest and well-established insurance companies in the sector, to 57.3%.

2014

Milli Re completed the 40th year in management of the "FAIR Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR).

Chairman's Message

2014 was a year influenced by global political developments and the Fed's actions.
The key issues of 2014 were the Fed's decision to taper and then end the process of quantitative easing, developments in Syria and Iraq, the crisis between Russia and Ukraine and the impact of declining oil prices on economies in the world.

Following the global financial crisis that emanated from the US in 2008, about USD 4 trillion excess liquidity was supplied to the markets as a result of the Fed's quantitative easing, which had a more profound impact on developing countries.

The Fed's move to slow down the process of quantitative easing and the significant decline in capital flowing into emerging countries had an adverse effect on a number of economies. Chronic problems in the European Union and mounting expectations of recession precipitated a rise in the US Dollar against the Euro. On the other hand, economic recovery continued in the US with growth exceeding expectations, with the decline in the rate of unemployment also attracting attention.

Another highlight of the year was the decline in oil prices. The price of a barrel of Brent oil had tumbled by 45% from USD 115/bbl in June to USD 60/bbl as of December 2014.This situation, which has affected risk perceptions towards oil importing developing countries - and Turkey in particular - had a positive impact on the current account deficit and its financing, including our country's energy bills. Meanwhile, low prices place critical pressure on the economies of oil-exporting countries, primarily Russia, and gives rise to sharply diverging results in the global economy

At the end of 2014, the global economy had not yet entered a stable growth trend, while it was also observed that the growth in different groups of countries continued to diverge from one other.

Continued growth in the Turkish economy in 2014
Turkey suffered a rapid outflow of hot money in 2014 as the developments in Turkey's geopolitically troubled neighboring region had a negative impact on the country's risk perception, while the Fed's tapering process also had a knock-on effect on capital flows.

The Turkish economy was relatively stagnant throughout the year due to the volatility in exchange rates, the depreciation of the TL and the Central

"Milli Re is the leader in its sector with its knowledge in the local market, reputation and reliability gained in the eyes of the international reinsurers, sound financial structure, team and management with proven expertise.

TL 753 million

Our Company's shareholders' equity reached TL 753 million as of 2014 year-end.

Chairman's Message

Bank's shock decision to increase interest rates and curtail the instalment facility in loans and credit cards in a bid to bring down the current account deficit. The slowdown in domestic demand and weakening in the currency resulted in net exports providing a positive contribution to growth, and the current account deficit did, at last, decline significantly. In the meantime, though, inflation started climbing and unemployment has inched into double digit territory again.

Reinsurance prices and conditions eased in all branches and territories due to the loss of momentum in the world reinsurance market.
Global softening in terms and conditions observed during the last 3 years, due to the stable demand despite the excess capital in the reinsurance markets, increasingly strong capital structure of the companies, and losses remaining below average levels, continued in 2014 as well.

This situation led to significant price reductions in almost all branches and territories, and expansion of scope of coverage. The reinsurers started to purchase underlying or overlying covers for existing programs in order to improve their competitive strength in the face of challenging market conditions and offered "multi-year" and "aggregate cover" products which have increased the demand for such coverage.

Cat losses that occurred in 2014 remained at the lowest level recorded since 2009. While economic losses caused by natural and man-made disasters were about USD 120 billion, insured losses only amounted to approximately USD 35 billion.

Total reinsurance capacity including alternative capital is estimated to be around USD 575 billion.

2015 reinsurance renewals are completed smoothly in the Turkish insurance industry.
There was no change in insurance companies' risk-based protection during 2015 renewals of Proportional Surplus and Catastrophe Excess of Loss reinsurance agreements. All of insurers active in Turkey, except 5 companies, continued to obtain their risk protections via proportional reinsurance contracts written on bouquet basis as in 2014.

Placement of proportional reinsurance agreements were also completed smoothly due to the factors specific to the local market such as continuation stricter underwriting measures by insurers, and external factors such as continued growth of interest in our market by international reinsurers.

Our Company has maintained its financial strength despite the difficult market conditions in 2014.
Milli Re produced TL 958 million premium in 2014. Our Company's local and international premium production increased by nearly 3.5% year-on-year. Three quarters of its premium production, corresponding to TL 721 million, was derived from local business, while the remaining 25% (TL 237 million) was generated from the international portfolio.

As of 2014, Milli Re's total assets and shareholders' equity reached TL 2,004 million and TL 753 million respectively, while our Company posted TL 11 million in profit on its operations. In addition, during 2014 our Company's paid-up capital has increased to TL 660 million through a capital raise of TL 45 million.

We are marching resolutely towards our goals with our belief in the future of our country and our industry.
Milli Re is the leader in its sector with its knowledge in the local market, reputation and reliability gained in the eyes of the international reinsurers, sound financial structure, team and management with proven expertise. We will keep up all these qualities we have maintained for 86 years, and continue with our efforts to become a preferred business partner.

I would like to extend my thanks to our shareholders who have always supported us, insurers who have always trusted us, and valuable employees on behalf of myself and the Board of Directors.

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

General Manager's Message

A slowdown of capital inflows into developing countries due to Fed's tapering and an end to monetary expansion

A harsh winter resulted in a weak performance for the US economy in the first quarter of 2014 but this gave way to a strong recovery in subsequent periods. After its program of quantitative easing for more than two years with USD 85 billion of monthly asset purchases, the US Federal Reserve (Fed) started a tapering process in October 2014. The termination of the extraordinary monetary policy, commissioned in the US in the global post-crisis era, suggests that conditions are ripening for the Fed's rate hike. The associated expectations set the stage for a strengthening of the US Dollar against other major currencies.

New measures needed to tackle weak economic activity in the Euro Zone.

Economic activity in the Euro Zone remained under pressure in 2014. Amid the weak economic activity in the region, very low levels of inflation raised concerns over deflation. In response, the European Central Bank (ECB) decided to apply a negative interest rate on deposits held by banks at the ECB, while reducing its policy interest rate twice in 2014 to close to zero. In addition to these steps, the ECB initiated a purchase program of covered bonds and asset-backed securities, and also started to provide liquidity to the market through long-term refinancing operations in a bid to support the financial sector. The fact that the steps taken towards monetary expansion have not yet caused a significant improvement in the economy in the region suggests that the scope of the ECB's asset purchase program introduced in 2015 needs to be broadened.

“In 2014, developments in Turkey and the world economy closely affected markets. Having shown a positive performance during the global crisis, the Turkish economy slowed down in 2014 due to adverse global conditions.

TL 2,004 million

Our Company's total assets stood at TL 2,004 million as of 2014 year-end.

General Manager’s Message

Growth loses momentum in developing countries in 2014
Geopolitics problems mainly arising from the tension between Russia and Ukraine as well as the conflict in Middle East led to a deterioration in risk perceptions of developing countries. In this context, the weak economic activity observed in some developed countries also led to disappointing levels of economic growth in developing countries. Gathering expectations of a US rate hike in 2015 precipitated volatility in capital flows to developing countries in the last quarter of 2014 and a fall in their currencies against the US Dollar.

Sharp decline in oil prices ushers in new dynamics.
The rapid plunge in oil prices has driven oil-exporting developing economies to a critical economic threshold. Oil prices plummeted by around 50% in the second half of 2014, wreaking extensive damage to the economy of Russia, an oil exporter. The Russian Rouble depreciated while Russia’s credit risk premium soared. In Brazil, Petrobras announced that its debt stock would increase and that it was postponing the project to develop new oil fields. The possible negative effects of cheaper oil on oil-exporting economies raises the risk of contagion for the global economy. On the other hand, the decline in oil prices supported some developed countries, by boosting the purchasing power of consumers.

Markets closely affected by developments in Turkey and the world economy in 2014.
Having shown a positive performance during the global crisis, the Turkish economy slowed down in 2014 due to adverse global conditions. Economic activity in the first quarter of 2014 remained brisk with 4.8% growth, supported by high public spending. The economy then showed signs of slowdown in the second quarter. The Turkish Central Bank’s (CBRT) interest rate hikes, as well as a raft of stricter macro measures introduced by the Banking Regulation and Supervision Agency (BRSA) to curb credit growth were instrumental in muted growth. The last quarter of the year was marked by a slower than expected recovery in economic activity; Gross Domestic Product (GDP) increased by 1.7% at constant prices.

Political and economic developments in Turkey’s neighboring countries also in the spotlight in 2014
The tensions between Ukraine and Russia, incidences of terrorism and political uncertainties in Iraq and Syria, the sanctions levied against Russia by the EU and the US, the decline in commodity prices (including oil) all had a profound effect on Turkey’s economy as well as other economies in the region.

The high interest rates issued by the CBRT and its tight liquidity measures caused a decline in consumer spending while the foreign trade deficit and current account deficit declined thanks to the stabilization in domestic and external demand as a result of the economic policies implemented.

The export coverage ratio of imports reached 65.1% in 2014, increasing by about 5 percentage points when compared to the previous year. By the end of 2014 the current account deficit to GDP ratio had declined to 5.6%, a fall of nearly 2 percentage points compared to the previous year. Turkey’s total exports reached USD 157.7 billion in 2014, with an increase of 3.9% year-on-year, influenced especially by regional political tensions and the volatility in exchange rates. Imports during the year totaled USD 242.2 billion, showing a decrease of 3.7% year-on-year.

General Manager's Message

CBRT turns to interest rate corridor frequently to alleviate impact of developments in global markets on exchange rates.
The CBRT demonstrated a strong policy response to the deterioration observed in the market on the back of the mounting uncertainties in the country through the rate hike following the Monetary Policy Committee meeting held in January. As a result, the exchange rate was brought under control, preventing a further deterioration in expectations. The rest of the year was marked by a volatile market, and the CBRT took measures to reduce the vulnerability of the currency arising from global uncertainties by demonstrating a tight monetary policy stance. The CBRT has used the interest rate corridor frequently in order to alleviate the effect of developments in global markets on exchange rates.

These developments did help calm the markets, and more positive expectations helped bring the TRY/USD exchange rate down to around TL 2.10. The BIST-100 rallied by 25%. Renewed interest from foreign investors and the decline in interest rates brought the yield of the 2-year maturity benchmark bond down to 8.20%.

Continued high and volatile inflation a key reason behind Turkey's higher interest rates
The financial markets rounded off 2014 with a favorable performance, even though the growth and inflation targets were not achieved. The macroeconomic growth fell short of what was targeted in the Government's Medium Term Program while the 12-months average annual rate of CPI inflation also missed the target, coming in at 8.85% compared to the 5% target. These results were in a year marked by weak global growth, although relatively well recognized, a healthy growth pattern is critical for the sustainable growth and development of Turkey's economy.

> By the end of 2014, total premiums in the Turkish insurance industry had increased by 7.3% compared to the previous year to reach approximately TL 26 billion.

Sluggish growth in premium production in the Turkish insurance industry
By the end of 2014, total premiums in the Turkish insurance industry had increased by 7.3% compared to the previous year to reach approximately TL 26 billion; this marked a serious slowdown in growth when compared to the 22% growth rate achieved in the previous year, indicating a serious lack of production in the sector in 2014.

The restrictive regulations placed on insurance as set out in the Law on Consumer Protection No. 6502, which was enacted in May 2014, is considered to have been one of the major causes of these problems in terms of premium production.

Premium production in Land Vehicles and Land Vehicles Liability branches, which comprise a significant 47% share in total non-Life premium production, increased by a mere 2%, compromising the overall premium production in the sector and leading to the negative growth.

The intense competition in the industry resulting from abundance of capacity has had a negative impact on the Company's profitability. While business from the local insurance market is underwritten in with more discipline and based on technical principles, especially in Fire and Engineering, the extent of price based competition has had adverse impact in Land Vehicles..

General Manager's Message

Our Company has accurately predicted the volatility in market conditions in 2014 and has brought necessary changes in strategy and the business plan into effect in timely and successful manner.
Thanks to its strong financial position and 86 years of experience, Milli Re has maintained a strong and reliable position in the domestic and international markets in 2014.

As a result of Milli Re's uncompromising underwriting principles focusing on technical profitability, our portfolio has reached the desired level of quality and diversity. This strategy is expected to pave the way for even stronger positive results during 2015.

Our Company is the only local reinsurance company actively operating in Turkey. Milli Re had a steady participation in the reinsurance programs of almost all of local and foreign capitalized insurance companies operating in our market and has been the leader of 15 companies' proportional reinsurance treaties. Milli Re maintained its 26% market share in 2014 and continued to take part in the placement of 4 companies which obtain risk protection via Excess of Loss basis.

Maintaining portfolio profitability with a more active role in international reinsurance markets
The main objective of our Company's international operations is to be considered a preferred partner, to develop its existing portfolio through underwriting discipline and to ensure continuity and stable growth. Our Company generated TL 237 million premium from international operation, constituting about one quarter of the total premium production.

Our Company, gives great emphasis on establishing long-term business relationships as opposed to being opportunistic and thus significantly have expanded its international portfolio which have become more profitable owing to the measures taken in recent years.

Soft market conditions affecting international markets, caused by a combination of ongoing mergers and acquisition and excess capital intensified by increased alternative capital provided by financial markets and strengthened balance sheets of reinsurers along with limited market impacting losses, continued in 2014 and significant rate reductions were observed in almost all regions and lines of business. However, although this was reflected to our premium income derived from developed markets, due to the positive contribution benign Cat Loss activity on a global scale in recent years, it has been possible to maintain an underwriting profit. In 2014, Milli Re's total premium production rose by approximately 3.5% year-on-year to reach TL 958 million, with 75% of the total premium derived from the local market and 25% generated from international business; these ratios marked little difference from the respective ratios of 76% and 24% in 2013. During the same period, the volume of claims paid out by the Company decreased by TL 27 million to TL 592 million; as of 2014, the Company's total assets stood at TL 2,004 million with shareholders' equity of TL 753 million, while our 2014 operations yielded a net profit of TL 11 million for the period.

Milli Re will strive to maintain its leading position in the local reinsurance market and increase its market share as its main goal in the coming period. In addition, we also aim to maintain the stable development of our international operations, which we believe to offer healthy growth potential.

I would like to extend my thanks to our shareholders, business partners and employees who have stood with us every inch of the way as we have achieved our goals, for their support and their confidence.

Hasan Hulki YALÇIN
Director and General Manager

“In 2015 Renewals, Milli Re was the leader of 15 proportional bouquets out of 23 it participated.

26%

Milli Re maintained its existing 26% market share in local proportional reinsurance treaties in 2015.

Board of Directors

8
Burak SEZERCAN
Director

6
Recai Semih NABİOĞLU
Director

5
Hülya ALTAY
Director

2
Mehmet Cahit Nami NOMER
Vice Chairman

1
Mahmut MAGEMİZOĞLU
Chairman

Board of Directors

9
Hasan Hulki YALÇIN
Director and General Managerr

4
İsmet ATALAY
Director

3
Aynur DÜLGER ATAKLI
Director

7
Erdal İNCELER
Director

10
Fahriye ÖZGEN
Reporter of the 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- Aynur DÜLGER ATAKLI
Director
Aynur Dülger Ataklı graduated from the Department of Economics-Finance at the Faculty of Political Sciences at Ankara University. She attended post-graduate programs in the United States from 1988 and the Senior Public Administration Techniques and European Union program at The Royal Institute of Public Administration in the United Kingdom in 1990. She started her professional career in 1979 as a Research Assistant at the Faculty of Political Sciences of Ankara University. She later served as an Assistant Specialist and Specialist and member of the special commission at the State Planning Organization. She served as a Specialist, Department Head and Deputy General Manager at the Undersecretariat of the Treasury. Aynur Dülger Ataklı served as a Member of the Board at Sivas Demir-Çelik İşletmeleri A.Ş. and as the chairman of the Board at BETEK A.Ş. (Berlin), a member of the Board and High Advisory Board at the Ankara Art Institution and Alumni Association of Faculty of Political Sciences of Ankara University and also as the Head of the Civil Services Sports Club. She served as a Member of the Board at İşbank between 2011 and 2014, and at İş Portföy Yönetimi A.Ş. between 17 April and 12 May 2014. Mrs. Ataklı was elected to Milli Re's Board of Directors on 16 May 2014.

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 Yönetimi 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 Economic 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.

Board of Directors

7- 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.

8- Burak SEZERCAN
Director
Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University. He holds a Master's degree in Banking and International Finance from the City University Cass Business School (UK). Burak Sezercan began his career in 1996 as an assistant inspector on the Board of Inspectors at İşbank. He was appointed as an Assistant Manager at the Risk Management Department in 2005 and as a Group Manager in the same Department in 2008. He was appointed as the head of Strategy and Corporate Performance Management Department in 2011. Burak Sezercan has been serving as a member of the Board of Directors at Milli Re since 9 December 2014.

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 Relevant Meetings during the Fiscal Period

The Company's Board of Directors convenes as and when necessitated by the Company's business affairs and upon the Chairman's 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 17 times during 2014, with all members attending 13 of these meetings, whereas one member was excused from each one of four meetings.

Senior Management

4
Fatma Özlem CİVAN
Assistant General Manager

6
Vehbi Kaan ACUN
Group Manager

2
Barbaros YALÇIN
Assistant General Manager

Senior Management

1
Hasan Hulki YALÇIN
Director and General Manager

5
Şule SOYLU
Group Manager

3
Yıldırım Kemal ÇUHACI
Assistant General Manager

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 1 September 1988 and also serves as the Vice President of the Turkish Earthquake Foundation since 2006.

3- Yıldırım 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 1 September 2011.

4- Fatma 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 reinsurers and brokers. Özlem Civan has been appointed as Assistant General Manager on 1 September 2011.

5- Şule SOYLU
Group Manager
Şule Soylu graduated with a B.A. degree in Business Administration from the Faculty of Economic 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 Board Member of Turkish Insurance Institute and a member of the Financial and Accounting Committee of the Insurance Association of Turkey, Şule Soylu has been appointed as Group Manager on 1 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 the Vice President of the Turkish Insurance Institute Foundation Board. Vehbi Kaan Acun has been appointed as Group Manager at Milli Re on 1 June 2012.

Internal Systems Managers

Internal Audit Assistant Manager: Ekin ZARAKOL SAFİ
Term of Office: 1 year
Professional Experience: 12 years
Departments Previously Served: Turkish Reinsurance Pool Directorate, Internal Audit and Risk Management Directorate
Academic Background: Bachelor's Degree

Internal Control and Risk Management Assistant Manager: Duygu GÖLGE
Term of Office: 1 year
Professional Experience: 19 years
Departments Previously Served: Decree Pool Directorate
Academic Background: Master's Degree

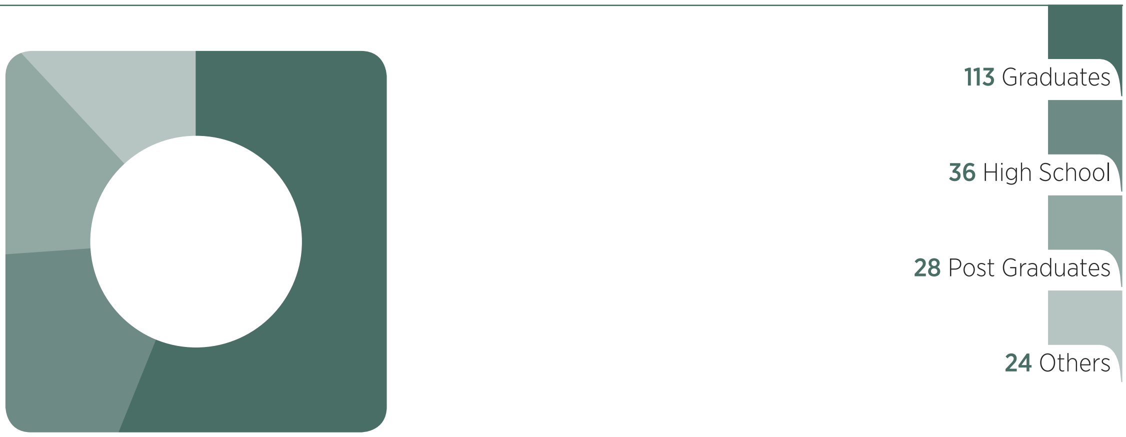
Human Resources Applications

In recognition of the fact that people make up one of the primary strengths that help it achieve its targets, Milli Re possesses a highly qualified and committed workforce, open to continuous learning and development. The Company's Human Resources policy is built on the fundamental principles of recruiting adequate candidates possessing the qualifications relevant to the vacant position; providing the 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 to foster social relationships that serve to motivate the individuals, and executing all internal processes efficiently.

As of year-end 2014, Milli Re had 201 employees on its payroll.

Employee Profile

Educational Background Profile



Human Resources Profile

Human Resources Applications

> Milli Re possesses a highly qualified and committed workforce, open to continuous learning and development.

Job Application
Job applications are made via personel@millire.com on our corporate website and other communication means and stored in the candidate pool established within the Company.

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.

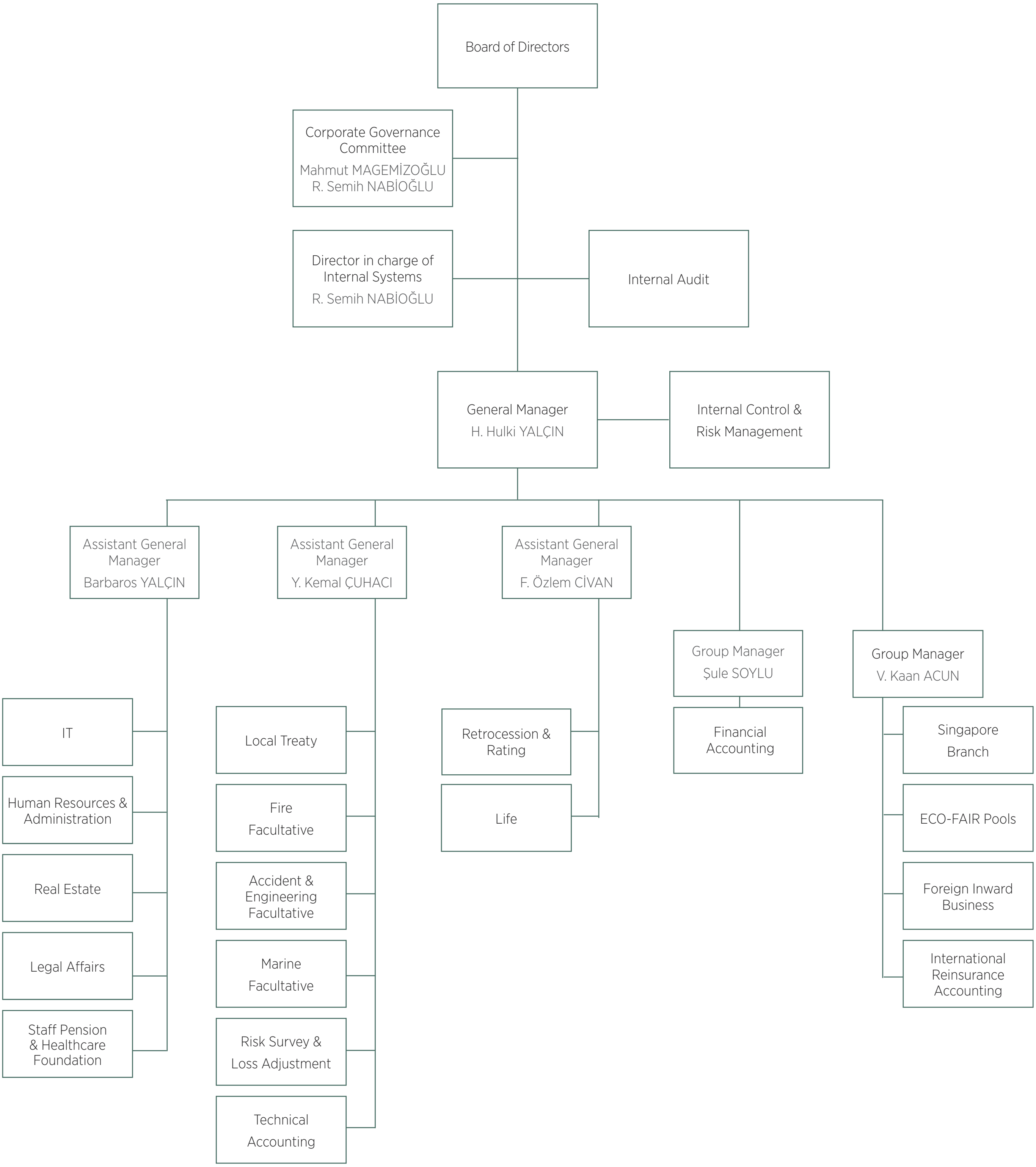
Compensation Policy
Our employees' salaries are adjusted in accordance with the terms of the collective bargaining agreement within the rules of related regulations.

Milli Re has accurately predicted the volatility in market conditions in 2014 and has brought necessary changes in strategy and the business plan into effect in timely and successful manner.

TL 958 million

In 2014, Milli Re's total premium production rose by approximately 3.5% year-on-year to reach TL 958 million.

Organization Chart



2014 Annual Report Compliance Statement

We hereby represent that Millî Reasürans T.A.Ş. 2014 Annual Report issued for its 86th 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 7 August 2007 by the Undersecretariat of Turkish Treasury.

25 February 2015

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

Report on the Audit of Board of Directors' Annual Report

Convenience Translation into English of the Independent Auditor's Report Related to Annual Report Originally Issued in Turkish

To Millî Reasürans Türk Anonim Şirketi General Assembly,

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Millî Reasürans Türk Anonim Şirketi (the "Company"), for the year ended 31 December 2014.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 16 February 2015 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA and the insurance legislation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner
25 February 2015
İstanbul, Türkiye

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 Chairman, Vice Chairman, and seven Board members. The Senior Management comprises of General Manager, three Assistant General Managers, and two Group Managers. The chart below presents the benefits provided to the Senior Executives in 2013 and 2014 for comparison.

(TL)	2013	2014
Benefits such as salary, premium, bonus, dividend etc.	4,527,575	4,495,282
Travel, accommodation, entertainment expenses, and means in kind and in cash	217,932	245,394

The Company's Research & Development Activities

- During 2014, the restructuring of the Company's IT processes continued within the framework of CobiT and risk limits began to be re-assessed. In accordance with the findings, control points of the process were assessed again and the restructuring process continued.

- With the intention of bolstering the efficiency of underwriting and accounting of our reinsurance operations and restructuring of the reinsurance system, Milli Re contacted various prominent companies in this field to collect information on reinsurance applications. Additionally, several workshops were organized, with the attendance of selected software vendors in Milli Re premises in order to determine the software that would best meet the requirements of the company.

The project implementation was planned to be started in 2015.

Company Activities and Major Developments in Activities

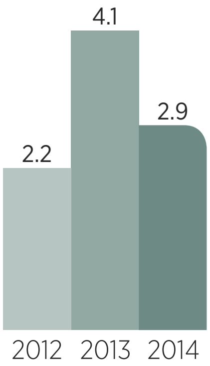
"An increase of 7.3% year-on-year, a marked slowdown compared to the 22% growth recorded in 2013, is a reflection of the lack of significant production in the Turkish insurance industry during 2014.

TL 26 billion

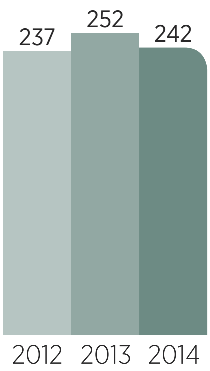
Turkish insurance industry produced nearly TL 26 billion in premiums in 2014, an increase of 7.3% year-on-year.

Turkish Economy and Outlook

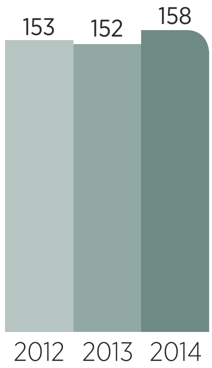
GDP Growth Rate – On the Basis of Fixed Prices (%)



Imports (USD billion)



Exports (USD billion)



A 2.9% year-on-year growth rate in 2014

Economic activity remained robust in the first quarter of the year with a relatively high growth rate of 4.8% achieved, driven to a large extent by higher public spending. This strong growth gave way to a slowdown in the second quarter, to 2.2%, of the year on the back of the CBRT's interest rate hikes and the BRSA's macro prudential measures taken to curb credit growth. A 1.7% growth rate was recorded in the third and 2.6% in the fourth quarter as the recovery in economic activity occurred more slowly than had been expected. Total rise in GDP on annual basis is recorded 2.9% for 2014. The weak demand in both domestic and international markets as well as the uncertainty surrounding global monetary policy, along with geopolitical developments, were the main factors putting pressure on growth.

The CBRT demonstrated a strong policy response to the deterioration in the domestic markets in its Monetary Policy Committee meeting held in January, when it hiked rates. This action brought the exchange rate under control and the deepening of the deterioration of expectations has been prevented.

The second half of the year markets fluctuated due to the global uncertainty, rising tensions in Iraq, and the Ukrainian-Russian development has been a factor limiting the risk perception. CBRT implemented measures exhibiting a tight monetary policy stance to reduce the vulnerability of the exchange rates and often used the interest rate corridor to alleviate the impact of exchange rate developments in global markets.

Increase is observed in the price indexes.

Inflation has exceeded the previous year's level of producer and consumer indexes exhibiting an upward trend. In 2014 Domestic Producers Price Index increased 10.25% compared to the twelve month average. According to the classification of the main industry groups, the highest average growth in 2014 was in the non-durable goods and capital goods by 13.82% and 10.13% respectively.

CPI, on the other hand, increased by 8.85% compared to the twelve month average. According to the main expenditure groups, annual average maximum increase was in restaurants and hotels with 13.54%, and in the food and non-alcoholic beverages with 12.91%.

In 2014 exports increased by 3.9% while imports decreased by 3.9%.

Temporary foreign trade data for the end of 2014, indicates that the rebalancing process continues in Turkish economy. Despite the continuing problems in Turkey's main export markets, by the end of the year exports increased by 3.9% compared to 2013 to USD 157.7 billion.

Turkish Economy and Outlook

On the other hand, due to the sluggish domestic demand and fall in oil prices, imports decreased by 3.9% compared to 2013. Total imports was recorded as USD 242.2 billion by the end of 2014.

Import coverage ratio of exports in 2014 reached a level of about 65.1% increasing 5 points compared to the previous year.

Continued contraction in the current account deficit in the third quarter of 2014
The improvement in the foreign trade balance has been the main driving force behind the narrowing of the current account deficit. The gold trade, which was realized at historical average levels, supported the narrowing in the current account balance. Net tourism receipts increased their contribution to the services balance in the third quarter.

The services item - which is the most important determinant of the current account balance after foreign trade - continued to increase its positive contribution to the current account deficit in the third quarter of the year. In the third quarter, which is the peak season for tourism, there was an increase of the number of visiting tourists as well as average spending per visitor, boosting tourism receipts. On the other hand, transportation revenues contributed to the growth in total service revenues during this period on the back of declining freight costs and an increase in the number of tourist arrivals.

The current account deficit is estimated to have declined to 5.6% of GDP by the end of 2014, a decrease of about 2.3 percentage points compared to the previous year.

Rise in unemployment continues.
According to the Household Labor Force Statistics, Turkey's unemployment rate stood at 10.7% as of November 2014. A total of 3,096,000 people were registered as unemployed in Turkey as of November 2014. The youth unemployment rate, covering the 15-24 age group, was measured as 19.9%. The slowdown in the economy was the main reason behind the rise in unemployment.

"Import coverage ratio of exports in 2014 reached a level of about 65.1% increasing 5 points compared to the previous year.

5.6%

The current account deficit is estimated to have declined to 5.6% of GDP by the end of 2014, a decrease of about 2.3 percentage points compared to the previous year.

Growth expected to pick up in 2015.
The revenue impact of falling energy prices, as well as the CBRT's potential interest rate cuts on the back of declining inflation are expected to support growth in 2015. With its growth dynamics and the lower levels of global commodity prices, Turkey will remain an attractive location when compared to other developing countries during 2015. Growth in developing countries is slowing down, due particularly to the weak pace of growth in the global economy - the US being a notable exception. In this context, the slowdown in growth in the Chinese economy is having a significant impact on emerging Asian economies, while growth in Central European countries is more vulnerable to the weakness in the European Union than Turkey. Thus, Turkey is expected to post 3% economic growth in 2015 - a higher rate of growth than other similar countries.

Turkish Economy and Outlook

High and volatile levels of inflation is one of the main reasons for Turkey's higher interest rates.
A decrease in interest rates may only be seen if inflation declines to the CBRT's 5% target and stays there for the next three years. Otherwise, the current levels of inflation will keep interest rates high. However, inflation is expected to continue declining in 2015 due to the supportive base effect and falling oil prices.

A CBRT monetary policy stance focused on price stability.
The CBRT will continue to oversee financial stability while keeping inflation in line with the targeted levels. In this context, the CBRT will implement policies aimed at limiting the volatility which capital flows brought to the domestic economy and which support prudent borrowing. In the coming period, the CBTR plans to use traditional tools as well as the new tools developed under the new policy framework, while communication channels will continue to be used as a supporting tool to help ensure the more efficient operation of the credit and exchange rate channel.

Developments in global monetary policy after May 2013 have been the key determinant of movements in the financial markets. The re-pricing of all financial assets in this period occurred on a global scale, and portfolio flows to developing countries have increased.

"Foreseeing that the volatility in portfolio flows to developing countries may continue in 2015, the CBRT believes that the slowdown in global economic activity could disrupt the monetary policy normalization process.

In this process, the CBRT has actively used tools such as the 1-week repo rate, the interest rate corridor, the Turkish lira and foreign currency liquidity policies and Reserve Option Mechanism (ROM) and implemented policies aimed at limiting the negative effects of global volatility on the Turkish economy while also working to correct the deterioration in the inflation outlook.

Foreseeing that the volatility in portfolio flows to developing countries may continue in 2015, the CBRT believes that the slowdown in global economic activity could disrupt the monetary policy normalization process. The CBRT also believes that global interest rates could remain low in such a case, especially in the short-term, and a tendency of excessive borrowing in foreign currencies may increase; if sustained, these circumstances could raise financial risk by increasing country risk premiums and in turn adversely affecting macroeconomic stability. In this context, the CBRT attaches importance to the implementation of macro-prudential policies to limit the macro-financial risks and support prudential borrowing.

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

An Overview of the Turkish Insurance Industry in 2014

Turkish insurance industry produced nearly TL 26 billion in premiums in 2014, an increase of 7% year-on-year - a marked slowdown compared to the 22% growth recorded in 2013 is a reflection of the lack of significant production in the industry during 2014.

The major cause of these difficulties in the industry in terms of premium production was the lack of premium production in Land Vehicles Insurance and Land Vehicles Liability Insurance due to the intense level of competition. Land Vehicles and Land Vehicles Liability are the largest two branches in terms of premium production, accounting for a 47% share of total premium production. The total premium production of these two branches increased by just 2% year-on-year, also adversely affecting the sector's overall premium production. Likewise, Life premiums have also been impacted by the restrictive regulations placed on consumer credit, and their share in the branch's total premium production declined from 14% in 2013 to 12.6% in 2014.

Another structural characteristic of the Turkish Insurance Industry is the significant amount of premiums produced by the top 10 companies. This ratio is 75% in the Non-Life and 83% in Life. Due to the hurdles posed by the capital adequacy requirements, coupled with the repressive effect of the increasing difficulty of competing with large companies on the basis of pricing, this concentration will likely result in company acquisitions and mergers in the market in the short and medium term. This is a historical characteristic of the sector. Currently, the share of companies backed by foreign capital account for 75% of the total capital, and the process of mergers and acquisitions is expected to continue in the next 10 years.

Looking at the 9% expansion in the Non-Life, Fire and Natural Disasters realized a significant 16% increase. Industrial policies which has shown 30% increase in premium production in 2014 has replaced commercial policies which had accounted for most of the production in 2013. Insurance companies started to pursue a more disciplined underwriting approach for risks compared to the past both in the pricing of risks and the scope of coverage starting from the end of 2012; this had the strongest impact on this category and drove 30% premium increase in industrial risks and a significant rise in Fire and Natural Disasters Insurance premiums. On the other hand, as a result of legislation aimed at expanding the take-up of compulsory earthquake insurance for dwellings, the number of policies in this category increased by more than 17%, with the premium growth rate coming in at 12%.

General Damages refers to the combination of Engineering, Agriculture, Glass and Theft Insurance, with Agriculture and Engineering premiums constituting 87% of the total production. Engineering Insurance has the highest volume in this branch with a 51% share. However, the 1% year-on-year decrease in premium production negatively affected the overall production in the General Damages segment. The decline was a result of the 33% contraction in premium income due to non-renewed policies with high premiums in the construction sector.

Another important source of premium income for the General Damages is Agricultural which constitutes 36% of the total. Agriculture, which has 11 sub-branches, witnessed a 30% year-on-year increase in premium production, mainly due to government subsidized Agricultural Insurance policies. A combination of training programs organized by TARSİM aimed at expanding the take-up of insurance and the increase in losses paid out resulting from the changes in the climate caused an increase in the State Supported Crop Insurance premium income by 42%, and a 24% increase in the number of policies.

An Overview of the Turkish Insurance Industry in 2014

Marine, consisting of Cargo and Hull Insurance, accounted for 2.5% of the sector's total premium income with 77% of premium being generated from Cargo and 23% from Hull. The share of Marine premiums in total premium production is limited, and its contribution to total premium production ranged from 2% to 3% as a result of the global economic crisis and its effects on Turkey. Premium production from Cargo has been stronger than from Hull, increasing by approximately 18% when compared to last year. Hull premium, on the other hand, did not increase significantly as a result of companies with lower reinsurance capacities which can only provide coverage to small and medium-tonnage vessels. Large tonnage ships are insured abroad. Premiums from the Hull increased by 6% year-on-year; hence, no growth was achieved in real terms.

The largest branch of the sector in terms of premium production, was Land Vehicles Liability, which posted less than 3% year-on-year growth in the face of fierce competition. This was also the case for Land Vehicles Insurance, the industry's second largest primary production source, where there was a mere 1% year-on-year increase in premiums. These two branches, which comprise a significant 47% share of the sector's total premium production, posted approximately 2% growth, which was the most important reason for the sluggish to grow of the market in real terms in 2014.

General Liability has posted a significant rate of growth which over 20% in terms of premiums over the last two years. Among the 13 sub-branches in this branch, 86% of premium production was derived from the Third Party Employer and Professional Liability Insurance. Total premium production in General Liability increased by 25% when compared to 2013. However, liabilities that continue for many years and the weak level of premiums received per policy against liabilities incurred had a negative effect on the technical results in the branch.

> "Land Vehicles Liability, the largest branch of the sector in terms of premium production, posted less than 3% year-on-year growth in the face of fierce competition.

In line with the measures taken in the framework of macroeconomic policies, the restrictions imposed on consumer loans have also had a negative impact on Accident; the growth in premiums in this branch had reached as high as 32% in 2013 before slowing down sharply to 17% in 2014. With the announcement that the tight monetary and fiscal policies will continue in 2015, Accident insurance is expected to be affected adversely as well as all other personal insurance policies.

The share of Life in overall premium declined to 13% in 2014 due to the government funding aimed at increasing the attractiveness of the private pension system as a saving mechanism, and macroeconomic policies taken to curb public spending. The decline of approximately 3% year-on-year in premiums is considered bad news for companies operating in Life Insurance. Annuity insurance and the implementation of "takaful" in 2015 in line with "participation banking" is expected to spread and these developments are expected to lead to an increase in premium production when compared to 2014, due to the growth in non-credit linked products.

An Overview of the Turkish Insurance Industry in 2014

Premium Income of the Market

Branches	2013 Premium Income (TL)	Share (%)	2014 Premium Income (TL)	Share (%)	Change (%)
Casualty	887,277,513	3.66	1,035,675,457	3.98	16.73
Health/Sickness	2,473,114,766	10.21	2,930,346,787	11.28	18.49
Land Vehicles	5,025,804,558	20.74	5,085,067,734	19.57	1.18
Railway Vehicles	5,286	0.00	10,586	0.00	100.27
Air Vehicles	41,755,849	0.17	58,724,204	0.23	40.64
Sea Vehicles	139,916,316	0.58	140,455,545	0.54	0.39
Transport	415,936,425	1.72	488,871,753	1.88	17.54
Fire and Natural Disasters	3,324,489,250	13.72	3,844,573,725	14.79	15.64
General Damages	2,186,115,156	9.02	2,429,292,744	9.35	11.12
Land Vehicles Liability	5,382,930,773	22.21	5,528,325,411	21.27	2.70
Air Vehicles Liability	69,721,106	0.29	92,765,288	0.36	33.05
Sea Vehicles Liability	1,675,496	0.01	9,409,070	0.04	461.57
Public Liability	508,124,765	2.10	634,407,542	2.44	24.85
Credit	106,601,433	0.44	138,958,449	0.53	30.35
Fidelity Guarantees	24,702,020	0.10	26,554,285	0.10	7.50
Financial Losses	171,417,052	0.71	178,765,763	0.69	4.29
Legal Protection	67,218,062	0.28	84,360,711	0.32	25.50
Support	7,482,251	0.03	2,984,038	0.01	(60.12)
Total Non-Life	20,834,288,077	85.99	22,709,549,092	87.38	9.00
Life	3,395,327,657	14.01	3,280,003,588	12.62	(3.40)
General Total	24,229,615,734	100.00	25,989,552,680	100.00	7.26

Source: Insurance Association of Turkey

An Overview of the Global Reinsurance Market in 2014

Third year in a row, excess capital supply against stable or in some instances muted demand for reinsurance, below average large losses and strong balance sheets of reinsurers have continued to soften the market, leading to significant rate reductions across nearly all lines and territories and often expansions of coverage. There was growth in demand for multi-year programs, aggregate covers and underlying or overlying capacity, in areas where some reinsurers were able to differentiate themselves in the soft market conditions.

With the continuation of low interest environment and reinsurance being perceived as a non-correlated asset class by institutional investors, alternative capital provided in the form of cat bonds, side-cars and ILWs reached above USD 60 billion. Although cat bonds still account for the significant portion of the total capacity, there has been a notable increase in collateralized reinsurance over 2014. Pricing and coverage provided by alternative reinsurance moved further toward traditional terms, as spreads continued to decline through 2014 and indemnity triggers got more common.

Total reinsurance capacity including alternative sources has reached around USD 575 billion. Competitive pressures resulting with lower underwriting returns despite the record low loss activity, combined with buyers' tendency to tier reinsurers, seeking wider and multi-class capacity from fewer reinsurers, have begun to change reinsurers' business models. There is a market-wide tendency to have greater scale and diversification by class as well as geography in order to achieve more efficient expense management and synergies for increasing profitability, as opposed to seeking underwriting excellence within a limited number of lines.

> Total reinsurance capacity including alternative sources has reached around USD 575 billion in 2014.

Closely related with this development, mergers and acquisitions which had gained momentum in 2012 continued throughout 2014. Despite further reductions in stock market valuations, m&a activity was commonly seen, largely driven by buyers' intention to expand into new classes and geographies and sellers' motive of abandoning books of business that do not earn their cost of capital. Announcement on Platinum being purchased by Renaissance Re in late November, the recent the acquisition of Catlin and by XL and the merger of Axis with Partner Re, point to the fact that this trend is likely to continue with implications across reinsurance market.

Insured cat losses in 2014 were at their lowest levels since 2009. Global economic losses from natural and man-made catastrophes were around USD 120 billion and insured losses were USD 35 billion in comparison with USD 40 billion in 2013, USD 51 billion in 2012 and USD 102 billion in 2011. On the other hand, total loss of life came down from 25,000 in 2013 to around 7,700 in 2014.

Winter storms in USA (January) and Japan (February) were the major cat losses in 2014 with overall losses amounting to USD 2.5 billion and USD 5.9 billion and insured claims reaching USD 1.7 billion and USD 3 billion, respectively. In the second quarter, the bulk of the losses came from severe weather conditions in USA (May) generating USD 3.9 billion economic and USD 2.9 billion insured losses and

An Overview of the Global Reinsurance Market in 2014

US Windstorms in June with USD 1.6 billion and 1.3 billion losses, respectively. The European Windstorm in June affected France, Belgium and Germany with USD 3.5 billion total and USD 2.8 billion insured losses. The largest nat cat in economic terms was Cyclone Hudhud impacting India in October generating around USD 7 billion loss, however given limited insurance penetration in the region, insured loss remained at around USD 530 million. Similarly floods affecting India and Pakistan, China Earthquake and drought losses in Brazil produced around USD 5 billion losses each, albeit had marginal implications on insurance industry.

Aviation and aerospace were the most severely impacted sectors by man-made disasters. The disappearance of a Malaysian Airlines flight in March, the shooting of another Malaysian Airlines flight over Ukraine in July and the crash of an AirAsia flight over the coast of Borneo were high profile and tragic losses in aviation. On the other hand the crash of the Virgin Galactic experimental space tourism plane and the explosion of the unmanned Antares supply rocket at launch caused around USD 95 million insured loss. Nevertheless, despite these losses there was no notable upward re-pricing in aviation given the excess capacity.

Continued growth in reinsurance capital, lack of major losses and increased profitability of reinsurers softened terms and conditions further in all lines and geographies.

For US property cat, competitive pressures since mid-year 2013 continued through 2014 and 2015 renewals due to the overcapacity in this market as most nation-wide accounts now have diversified panels of security, including collateralized reinsurance, sidecars, cat bonds, as well as traditional reinsurance. Rate reductions ranged between 10% to 15% risk adjusted, along with concessions regarding hours clauses, reinstatement provisions and slightly extended terrorism covers. Multi-year placements, aggregate protections, underlying or overlying capacity purchases were more common in favorable market conditions. Per risk covers also saw declines between 5-15%, with loss impacted programs experiencing slightly decreased to slightly increased pricing. Pro-rata treaties saw 1-3 point increases in commissions.

> “ Insured cat losses in 2014 were at their lowest levels since 2009 and were registered around USD 35 billion.

Interest in Latin America persisted leading to continuation of downward pressure on rates. While cat rates declined by 5-10%, terms and conditions were widened in all segments. Pro-rata commissions were stable to 2 points up. Rates for impacted risk xl programs increased by 5-20%, but they were flat to 12.5% down for loss-free xl programs.

In Europe, there was substantial downward pressure on loss free cat and per risk programs resulting with 10-15% reduction in rates, in specific countries as well as global programs. Pro-rata treaty commissions were generally flat across Europe with varying increases in a few countries. There was also significant broadening in conditions such as hours clauses and certain per risk exposures. Over placements experienced in 2014 largely reduced as many reinsurers renewed their expiring signed lines and not written lines. Despite the fact that the Central and Eastern European Market was impacted by some weather related losses such as Bulgarian Hailstorm, it remained highly competitive with rate reductions between 5-15% and some free reinstatements in a few programs. There were even more significant declines in per risk programs.

An Overview of the Global Reinsurance Market in 2014

Capacity was abundant in the Middle East and North Africa leading to increased limits in pro rata treaties and lower attachment levels in non-proportional programs. Movement in treaty commissions varied (between flat to 2% up) depending on loss activity and rates showed around 5% decline in per risk and up to 10% decline in cat programs.

Risk adjusted reductions in the Japanese market was around 10% to 15% or more for earthquake, while cedants have started to purchase more limit at the top but less at the bottom end of cat programs, others even combined their earthquake and wind/flood catastrophe excess of loss programs. In addition, there was also broadening in conditions such as an extension of hours clauses for wind/flood and the broadening of occurrence definitions for earthquake. Commissions were flat to 2 points up; earthquake commissions increasing by 3 points.

Although there were no major losses impacting Australia and New Zealand, programs were still under the influence of 2010 and 2011 New Zealand Earthquake losses. Risk adjusted premium erosions on loss free cat programs in the region reached 10% to 17.5% whereas rates on loss affected layers were flat to 5% up. Loss free risk layers enjoyed up to 5% rate reduction but there was up to 10% increase in loss impacted risk layers. Pro-rata commission rates were flat to 2 points up. There was further consolidation in the market and also new top layer purchases in view of regulatory requirements.

"There was abundant capacity for the Asia Pacific region; with a shift of shares to onshore or better rated reinsurers. Given the increased capacity and favorable conditions for buyers, cedants frequently increased the limits of xl programs.

There was abundant capacity for the Asia Pacific region; with a shift of shares to onshore or better rated reinsurers but severe competition in pricing in China where the pace of economic growth was reflected to premium. Given the increased capacity and favorable conditions for buyers, cedants frequently increased the limits of xl programs. Rate decreases were around 5-20% across the region.

Retro pricing showed 10-15% reduction in the current soft market environment with cat losses remaining within retentions. While limits were generally stable, retentions were between slightly down to stable. Due to excess capacity and positive conditions, buyers were more accessible to tailor-made products, such as aggregate, worldwide, pillared or composite covers.

Turkish Reinsurance Market and Milli Re in 2014

There were no difficulties in 2015 renewals of the Proportional Surplus and Catastrophe Excess of Loss reinsurance treaties for the Turkish Insurance Industry. The absence of any major natural disasters in 2014, the lowest level of nat cat losses over the last 5 years, excessive reinsurance capacity provided by traditional reinsurance and alternative capital with respect to demand, as well as portfolio diversification initiatives taken by the reinsurers participating in the placement of proportional reinsurance agreements ensured that the renewals went smooth for ceding companies.

There was no change in insurance companies' risk-based covers during the 2015 and the placement of Proportional and Catastrophe Excess of Loss reinsurance agreements. All except for 5 of the insurers active in Turkey continued to obtain their risk protection via proportional reinsurance contracts written on a bouquet basis as in the previous year. The placement of proportional reinsurance agreements was also completed smoothly due to factors specific to the local market, such as the continuation insurers to implement stricter underwriting policies, and external factors such as the continued in interest in our market by international reinsurers.

Milli Re captured 26% market share in 2015 by participating in the reinsurance contracts, written on a bouquet basis, of 23 companies, and leading 15 of these. As in the previous year, Milli Re continued to participate in the placements of 4 of the 5 companies which continued to obtain their risk protection via Excess of Loss.

The volume of premium ceded to Proportional and Excess of Loss reinsurance agreements that Milli Re participates in is projected to increase by about 15% in 2015 when compared to 2014. No significant change was observed in the premium distribution. The distribution of premiums by lines was as follows; Fire (49%), Marine (7%), Accident (13%), Engineering (29%) and Land Vehicle and Land Vehicle Liability (2%). The share of Marine decreased by 2 percentage points, while the share of the Engineering increased by 2 percentage points when compared to 2013.

“The volume of premium ceded to Proportional and Excess of Loss reinsurance agreements that Milli Re participates in is projected to increase by about 15% in 2015 when compared to 2014.

As a result of the combination a number of positive factors, there was no difficulty in the placement of Catastrophe Excess of Loss programs which are purchased for protection against natural disasters, such as earthquakes, for risks retained under Fire and Engineering proportional reinsurance treaties.

When determining the limit of Catastrophe Excess of Loss agreements, insurance companies usually take Zone 1 exposures into consideration. The exposure of Zone 1, which covers İstanbul, did not change significantly when compared to 2013 and the total capacity of Catastrophe Excess of Loss agreements obtained by companies increased from EUR 4 billion to EUR 4.3 billion, the result being that companies obtained more coverage than last year in terms of Catastrophe Excess of Loss agreements for earthquake risk There was no change in premiums paid by the market in return for this coverage, with the amount remaining at its 2013 level of EUR 91 million. Thus, by providing the sector in terms of Catastrophe Excess of Loss coverage, there was at least 5% reduction in premium. Milli Re's liability from Catastrophe Excess of Loss programs remained unchanged from its 2013 level, at 10%.

> Thanks to its robust financial position and 86 years of experience, Milli Re has maintained a strong and reliable position in the local and international markets in 2014.

75%

In 2014, 75% of Milli Re's total premium derived from the local market and 25% generated from international business.

Financial Strength Figures

Financial Ratios (%)	2010	2011	2012	2013	2014
1. Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	107	222	157	132	127
Shareholders' Equity/Total Assets	49	28	37	38	38
Shareholders' Equity/Net Technical Provisions	106	41	64	66	65
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	54	56	59	60	62
Liquidity Ratio	112	81	99	102	103
Current Ratio	139	103	117	119	118
Premium and Reinsurance Receivables/Total Assets	12	15	10	10	9
3. Operational Ratios					
Retention Ratio	90	91	90	86	86
Paid Claims/Paid Claims+Outstanding Claims	59	52	53	47	44
4. Profitability Ratios					
Gross					
Loss Ratio	74	96	70	69	69
Expense Ratio	25	24	26	29	28
Combined Ratio	99	120	96	98	97
Net					
Loss Ratio	79	103	76	78	78
Expense Ratio	27	26	28	33	32
Combined Ratio	106	129	104	111	110
Profit Before Tax/Gross Written Premiums	9	(15)	10	2	1
Gross Financial Profit/Gross Written Premiums	6	5	-	1	1
Technical Profit/Gross Written Premiums	3	(20)	10	1	-
Profit Before Tax/Average Total Assets	5	(9)	6	1	1
Profit Before Tax/Average Shareholders' Equity (Except Profit)	11	(22)	19	3	2

An Assessment of Financial Strength, Profitability and Solvency Margin

Milli Re generated TL 958 million premium in 2014, with 3.5% increase year-on-year. Claims paid by the Company decreased by TL 27 million and materialized as TL 592 million.

Company's Cash and Financial Assets correspond to 62% of Total Assets. Owing to its strong liquidity, and the balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations without any financial difficulty.

Details on technical results are presented in the section "Milli Re Technical Results in 2014".

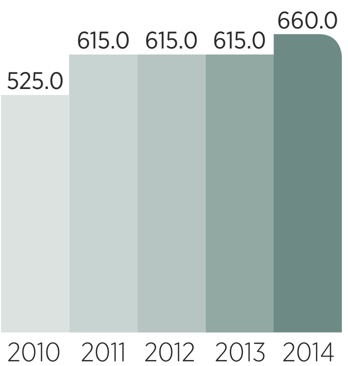
An Assessment of the Company Capital

The Company's capital adequacy is calculated 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 1 March 2009. According to the calculation based on the principles specified by the Regulation, 2014 capital adequacy result yielded a surplus of TL 202.4 million.

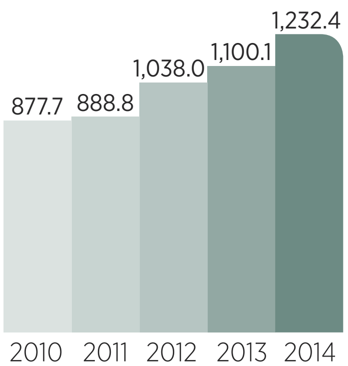
The Company has sufficient shareholders' equity to cover losses that might result from its existing liabilities and potential risks.

Capital Adequacy (TL million)	2013	2014
Required Capital	254.9	286.5
Available Capital	437.3	488.9
Capital Adequacy Result	182.4	202.4

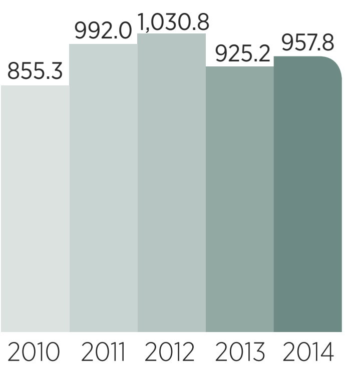
Paid-up Capital (TL million)



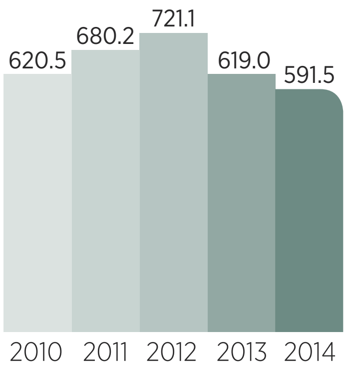
Liquid Assets (TL million)



Premium Income (TL million)



Paid Claims (TL million)



Milli Re Technical Results in 2014

Milli Re's total premium production increased by 3.5% to TL 957,821,365 in 2014, with 75% of the total premiums generated from local business and 25% from international business, thus representing a slight difference from the corresponding ratios in 2013 (76% and 24%, respectively).

As a result of the merger of two of the largest companies operating in the local market, which represented a significant portion of Milli Re's premium income, and their decision to utilize group reinsurance protection as well as the Company's strategy of reducing involvement in General Liability, there was limited 2.5% growth in premium.

In the international portfolio, premiums increased by 6.8% on the back of the FAIR Reinsurance Pool and new business from the Turkish Republic of Northern Cyprus (TRNC).

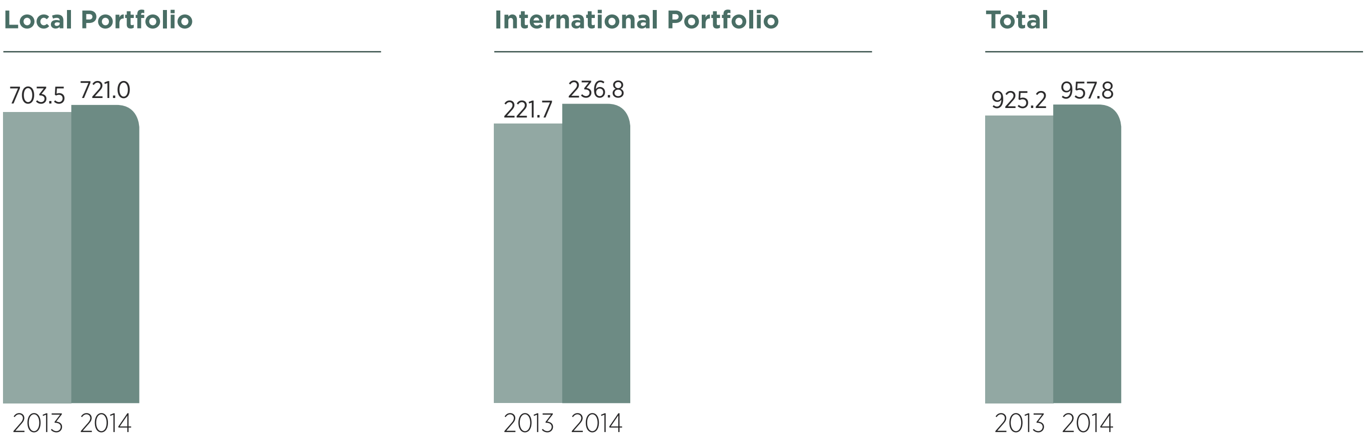
Despite a sharp increase in the Outstanding Claims Provisions in Land Vehicles Liability and General Liability, the positive results obtained from Fire and Natural Disasters, which is our core business, helped the Company attain a technical profit in 2014.

Gross Premium Income and Breakdown of Branches (TL)

Branches	2013	Share (%)	2014	Share (%)	Change (%)
Casualty	22,937,900	2.53	25,697,737	2.75	12.03
Health/Sickness	24,283,988	2.69	20,497,465	2.20	(15.59)
Land Vehicles	16,693,706	1.85	13,663,229	1.46	(18.15)
Railway Vehicles	-	-	-	-	-
Air Vehicles	914,270	0.10	587,311	0.06	(35.76)
Sea Vehicles	26,903,870	2.98	25,923,816	2.78	(3.64)
Transport	41,088,970	4.55	40,866,724	4.38	(0.54)
Fire and Natural Disasters	420,382,014	46.53	423,759,684	45.38	0.80
General Damages	269,552,559	29.84	293,964,844	31.48	9.06
Land Vehicles Liability	32,664,040	3.62	42,190,723	4.52	29.17
Air Vehicles Liability	-	-	-	-	-
Sea Vehicles Liability	71,286	0.01	55,132	0.01	(22.66)
Public Liability	44,643,344	4.94	44,554,626	4.77	(0.20)
Credit	103,791	0.01	171,372	0.02	65.11
Fidelity Guarantees	484,452	0.05	499,932	0.05	3.20
Financial Losses	2,600,254	0.29	1,186,278	0.13	(54.38)
Legal Protection	83,403	0.01	119,530	0.01	43.32
Total Non-Life	903,407,847	100.00	933,738,403	100.00	3.36
Non-Life	903,407,847	97.65	933,738,403	97.49	3.36
Life	21,743,651	2.35	24,082,962	2.51	10.76
Total	925,151,498	100.00	957,821,365	100.00	3.53

Milli Re Technical Results in 2014

Premium Income (TL million)



Premium Income (TL)					
Branches	**2010**	**2011**	**2012**	**2013**	**2014**
Casualty	13,648,776	16,325,714	20,232,092	22,937,900	25,697,737
Health/Sickness	104,084,845	70,708,153	49,617,380	24,283,988	20,497,465
Land Vehicles	140,302,173	137,304,815	69,215,017	16,693,706	13,663,229
Railway Vehicles	-	-	-	-	-
Air Vehicles	1,146,179	692,224	547,007	914,270	587,311
Sea Vehicles	27,156,879	25,882,903	33,509,000	26,903,870	25,923,816
Transport	27,925,466	32,948,542	41,531,057	41,088,970	40,866,724
Fire and Natural Disasters	269,727,011	333,882,824	390,629,537	420,382,014	423,759,684
General Damages	158,393,566	244,702,151	300,549,820	269,552,559	293,964,844
Land Vehicles Liability	63,676,611	76,245,857	60,708,247	32,664,040	42,190,723
Air Vehicles Liability	2,432	-	-	-	-
Sea Vehicles Liability	51,404	39,718	108,210	71,286	55,132
Public Liability	29,126,129	32,587,765	40,386,247	44,643,344	44,554,626
Credit	251,901	246,253	201,612	103,791	171,372
Fidelity Guarantees	649,775	1,132,124	1,320,041	484,452	499,932
Financial Losses	801,899	1,103,347	1,582,337	2,600,254	1,186,278
Legal Protection	549,685	755,797	155,754	83,403	119,530
Non-Life	837,494,731	974,558,187	1,010,293,358	903,407,847	933,738,403
Life	17,808,180	17,434,891	20,487,622	21,743,651	24,082,962
Total	855,302,911	991,993,078	1,030,780,980	925,151,498	957,821,365

Milli Re Technical Results in 2014

Technical Profitability (TL)					
Branches	**2010**	**2011**	**2012**	**2013**	**2014**
Casualty	7,466,168	(4,254,284)	(968,668)	1,641,447	2,306,221
Health/Sickness	(19,592,434)	(29,326,697)	6,424,875	3,409,797	1,815,894
Land Vehicles	(3,624,645)	(11,446,956)	(3,176,588)	(7,139,051)	1,040,497
Railway Vehicles	-	-	-	-	-
Air Vehicles	1,125,881	(882,321)	1,290,563	714,229	715,726
Sea Vehicles	(4,799,521)	(1,102,633)	6,221,438	6,795,787	(12,072,728)
Transport	20,089,184	6,447,198	14,011,402	2,475,216	13,430,888
Fire and Natural Disasters	20,137,996	(48,749,986)	32,994,001	23,478,949	100,962,221
General Damages	(13,846,404)	(28,734,583)	27,479,708	2,823,727	30,852,994
Land Vehicles Liability	995,074	(82,507,452)	10,660,977	(34,975,758)	(69,278,192)
Air Vehicles Liability	9,861	227	-	(2,256)	615
Sea Vehicles Liability	(149,635)	143,824	(101,791)	66,778	21,020
Public Liability	11,053,886	1,271,840	3,345,969	5,708,723	(72,961,039)
Credit	254,483	2,794	(126,106)	(36,838)	(959,123)
Fidelity Guarantees	3,967	(529,943)	687,052	(124,846)	(220,253)
Financial Losses	1,459,981	401,592	(225,347)	935,782	1,428,883
Legal Protection	584,076	581,197	(184,522)	526,506	115,171
Non-Life	21,167,918	(198,686,183)	98,332,963	6,298,192	(2,801,205)
Life	456,342	2,564,291	6,769,639	4,420,486	5,329,457
Total	21,624,260	(196,121,892)	105,102,602	10,718,678	2,528,252

Technical Profitability Ratios					
	2010	**2011**	**2012**	**2013**	**2014**
Gross					
Loss Ratio	74	96	70	69	69
Expense Ratio	25	24	26	29	28
Combined Ratio	99	120	96	98	97
Net					
Loss Ratio	79	103	76	78	78
Expense Ratio	27	26	28	33	32
Combined Ratio	106	129	104	111	110

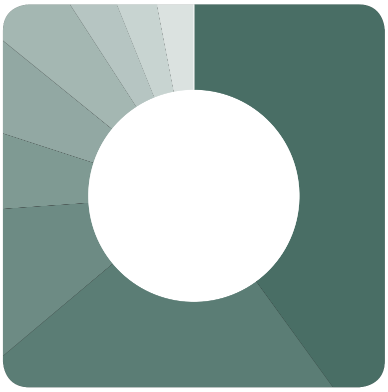
Local Portfolio

Turkish insurance industry recorded an overall increase of 7% in Life and Non-life. Although there was 9% growth in Non-Life, there was no real growth overall, due to the contraction in Life premiums. An important reason for this was the ongoing pricing competition in Land Vehicles and Land Vehicles Liability, which in total have a significant 47% share in total premium production.

Two major clients, merged and decided to benefit from group reinsurance protection. This fact was behind the limited 2.5% increase in our domestic premium income.

On the other hand, the market premiums for General Liability, which has a negative impact on technical profitability due to the long-term liabilities, increased by about 25% in 2014. The Company's premium production in this line receded compared to last year due to the change in underwriting.

Breakdown of Local Premium by Branches (%)



40 Fire
24 Engineering
10 Agriculture
6 Marine
6 Accident Excluding General Liability and Land Vehicles
5 General Liability
3 Land Vehicles (Liability)
3 Health/Sickness
3 Life
0 Land Vehicles (Own Damage)

Local Portfolio	**2010**	**2011**	**2012**	**2013**	**2014**
Premium (TL)	683,741,546	776,680,082	782,190,454	703,516,548	721,053,209
Share in Total Premium (%)	79.9	78.3	75.9	76.0	75.3

Local Portfolio

Fire

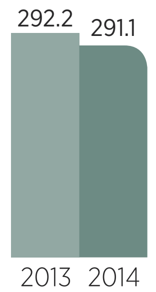
Premium income from Fire has the highest share within local premium income with 40%. Premium income decreased slightly to TL 291.1 million due to the merger between two major companies, and their decision to obtain reinsurance protection within the group.

Despite the slight increase in losses, technical profit in this line increased from TL 17.8 million in 2013 to TL 41.7 million in 2014 as pricing and underwriting measures undertaken by ceding companies were reflected to the reinsurance contracts combined with improved treaty conditions implemented in the treaties through our leadership.

The Company generated 68.5% of its total premium in Fire from local business.

Profitability Ratios in Fire (%)	2013	2014
Gross		
Loss Ratio	51	52
Expense Ratio	24	26
Combined Ratio	75	78
Net		
Loss Ratio	65	64
Expense Ratio	29	33
Combined Ratio	94	97
Technical Profit/Loss (TL mn)	17.8	41.7

Premium Income (TL mn)



Marine

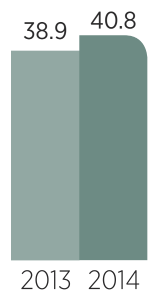
Consisting of Cargo and Hull insurance, Marine accounted for 6% of the Company’s local premium income. Premium increased gradually over the years in line with of the market premium. Although Cargo, which constitutes a significant 77% of Marine branch, registered real growth, relatively small sum insured pricing in this sub-branch led to limited growth in premium ceded to treaties.

Paid claims increased by 53% year-on-year, eroding the profitability of the branch, with the branch recording a loss of TL 2.5 million in 2014, in contrast with the TL 7.9 million profit written in 2013.

61.1% of the Company’s total premium production in this branch was generated from local business.

Profitability Ratios in Marine (%)	2013	2014
Gross		
Loss Ratio	53	78
Expense Ratio	30	28
Combined Ratio	83	106
Net		
Loss Ratio	56	84
Expense Ratio	32	30
Combined Ratio	88	114
Technical Profit/Loss (TL mn)	7.9	(2.5)

Premium Income (TL mn)



Local Portfolio

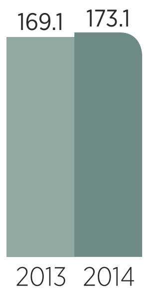
Engineering

There was a small increase of around 2% year-on-year in the premium income from Engineering, in line with the developments in the industry. The industry's Engineering premium production declined by 1% year-on-year. Machinery Breakdown and Electronic Equipment account for 70% of the total premiums of the branch. However, due to the fact that reinsurance cessions are quite low in these lines and there is considerable premium reduction in construction due to non-renewal of large projects where reinsurance cessions is higher, premium income in engineering was adversely impacted in 2014. .

There was a turnaround in the profitability of Engineering from the loss of TL 18.3 million in 2013 to a profit of TL 26.7 million in 2014, due to the positive reflections of measures taken in the reinsurance contracts together with a 25% reduction in incurred losses due to actuarial calculations, despite a slight increase in premiums.

90.9% of the Company's total premium in this branch was generated from local business.

Premium Income (TL mn)



Profitability Ratios in Engineering (%)	2013	2014
Gross		
Loss Ratio	65	45
Expense Ratio	27	27
Combined Ratio	92	72
Net		
Loss Ratio	86	58
Expense Ratio	35	34
Combined Ratio	121	92
Technical Profit/Loss (TL mn)	(18.3)	26.7

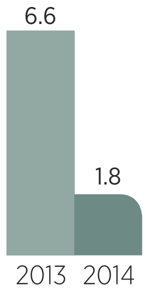
Land Vehicles (Own Damage)

In accordance with the Company's strategy to minimize its involvement in treaties of loss-producing lines, the share of the Land Vehicles in the local portfolio declined to 0.2% in 2014. However, near zero premium income precipitated a higher loss ratio than in 2013. On the other hand, due to deferred commissions, and the distribution of expenses over 3 years, the expense ratio, which had increased to 118% last year, was realised at 75%.

Despite the decrease in premium income, this line produced a loss of TL1.6 million in 2014, compared to TL 6.3 million loss in 2013, due to the incurred loss amount that came down to TL 2 million in 2014, from TL 25 million in 2013.

Local premiums had a 12.9% share in the Company's overall premium production in Land Vehicles (Own Damage).

Premium Income (TL mn)



Profitability Ratios in Land Vehicles (Own Damage) (%)	2013	2014
Gross		
Loss Ratio	95	119
Expense Ratio	118	75
Combined Ratio	213	194
Net		
Loss Ratio	95	118
Expense Ratio	118	75
Combined Ratio	213	193
Technical Profit/Loss (TL mn)	(6.3)	(1.6)

Local Portfolio

Land Vehicles Liability

In accordance with the Company's strategy to reduce its involvement in loss-making motor business also affected Land Vehicles Liability, and the share of local premiums in this branch declined to 3%. The fact that the premiums obtained from the existing Excess of Loss programs are included under this branch precipitated a higher level of premium income than in the Land Vehicle (Own Damage).

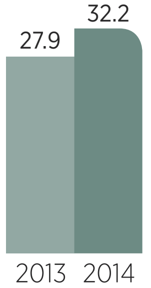
On the other hand, there was a significant increase in incurred losses in this line, due to the loss pay outs relating to Excess of Loss contracts from previous years as well as increase in outstanding loss reserves due to the upward revision made in claim Files relating to previous years by cedants. In this context, the loss ratio increased considerably to 284%. The negative expense ratio resulting from the industry's sliding scale commission rates served as relief to the Company.

The 32% year-on-year increase in provisions for outstanding claims was the main factor behind the TL 63.2 million loss for this branch.

The Company generated 76.4% of its total premium production in Land Vehicles Liability from local business.

Profitability Ratios in Land Vehicles Liability (%)	2013	2014
Gross		
Loss Ratio	172	284
Expense Ratio	18	(3.0)
Combined Ratio	190	281
Net		
Loss Ratio	172	284
Expense Ratio	18	(3.0)
Combined Ratio	190	281
Technical Profit/Loss (TL mn)	(36.6)	(63.2)

Premium Income (TL mn)



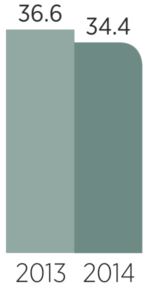
General Liability

All Liability branches, apart from Land Vehicles Liability Insurance, are grouped under General Liability. The Company's results in this branch mirrored the generally adverse developments in industry. The combination of insufficient premium levels to meet the long term liabilities and substantial increase in the Provision for Outstanding Claims resulted in this branch concluding the year with a technical loss. Although the share of the branch in total premium income from local business was maintained at 5%, as in 2013, premium production decreased by 6% year-on-year.

On the other hand, due to the significant increase in outstanding claims despite a stable claims paid, the loss ratio increased from 73% in 2013 to 205% in 2014. In level of consequence of these negative developments, a technical loss of TL 60.1 million was recorded in 2014 in contrast with the TL 5 million profit in the prior year. The Company generated 77.1% of its total premium production in the General Liability branch from local business

Profitability Ratios in General Liability (%)	2013	2014
Gross		
Loss Ratio	73	205
Expense Ratio	33	35
Combined Ratio	106	240
Net		
Loss Ratio	69	204
Expense Ratio	33	35
Combined Ratio	102	239
Technical Profit/Loss (TL mn)	5.0	(60.1)

Premium Income (TL mn)



Local Portfolio

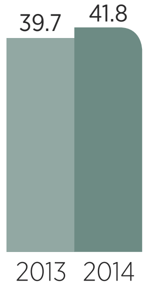
Accident Excluding General Liability and Land Vehicles

91% of premium production in this branch is derived from Personal Accident and 8% from Compulsory Personal Accident Insurance policies for Busses. The share of this branch in Company's total premium income from local business was maintained at 6%, the same level as in 2013.

Despite the 9% increase in incurred loss, the loss ratio improved when compared to the previous year, thanks to the 21% increase in earned premiums because of the effect of the unearned premium reserve relating to the previous year resulting in a TL 6.1 million technical profit for this branch.

The Company generated 74.5% of its total premium production in Accident Excluding General Liability and Land Vehicles from local business.

Premium Income (TL mn)



Profitability Ratios in Accident Excluding General Liability and Land Vehicles (%)	2013	2014
Gross		
Loss Ratio	76	68
Expense Ratio	34	39
Combined Ratio	110	107
Net		
Loss Ratio	76	67
Expense Ratio	34	39
Combined Ratio	110	106
Technical Profit/Loss (TL mn)	(0.4)	6.1

Agriculture

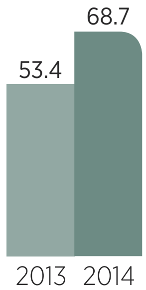
A substantial portion of the Company's premium production in this branch originates from our participation in the reinsurance treaty that provides coverage for the Agricultural Insurance Pool (TARSIM). Although there was no change in our share in this treaty compared to the previous year, premiums ceded to the treaty increased by about 29% over their 2013 level due to the expansion of scope of Agricultural Insurance and the number of registered farmers.

Similarly, the share of Agriculture branch in total local premium income increased from 8% in 2013 to 10% in 2014.

Despite no significant increase in the paid loss in 2014 and a strong 29% increase in premium income, the loss ratio increased from 37% in 2013 to 73% in 2014. This stemmed from the reduction in the Company's share in the reinsurance treaty for Agricultural Insurance Pool from 18% to 10% from 2012 to 2013, and consequently the positive impact of Outstanding Claims Provisions on relating to the previous year results. There was a technical loss of TL 2.5 million in 2014 due to this base effect.

92% of the Company's total premium production in the Agriculture branch was obtained from local businesses.

Premium Income (TL mn)



Profitability Ratios in Agriculture (%)	2013	2014
Gross		
Loss Ratio	37	73
Expense Ratio	38	38
Combined Ratio	75	111
Net		
Loss Ratio	37	73
Expense Ratio	38	38
Combined Ratio	75	111
Technical Profit/Loss (TL mn)	21.6	(2.5)

Local Portfolio

Health/Sickness

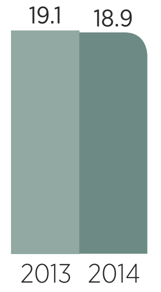
A stable trend was observed in Health/Sickness, which is another line of business in which the Company pursues the strategy of withdrawal. The share of the branch in total local premium income remained at 3% in 2014.

The main reason for the higher loss ratio in this branch, despite decrease in claims and premiums, was the lower Unearned Premium Reserves carried forward than in 2013. This led to a decline of TL 2.2 million, adversely affecting the technical profit.

Local business accounted for 92.4% of the Company's total premium production in Health/Sickness.

Profitability Ratios in Health/Sickness (%)	2013	2014
Gross		
Loss Ratio	78	83
Expense Ratio	7	9
Combined Ratio	85	92
Net		
Loss Ratio	78	83
Expense Ratio	7	9
Combined Ratio	85	92
Technical Profit/Loss (TL mn)	3.3	2.2

Premium Income (TL mn)



Life

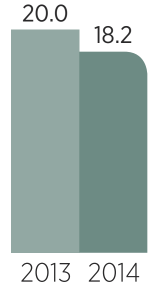
The Company's portfolio of Life Insurance is composed of credit life products covering death, accidental disability or disability resulting from sickness, critical illness, and unemployment. Premium production in this branch decreased by about 9% year-on-year, a reflection of the negative impact of macroeconomic policies implemented which were aimed at narrowing down the volume of retail loans.

Due to decreased commissions paid to the companies compared to the previous year and increase in the reinsurer's share of claims paid compared to 2013, the profit in this branch, which was TL 4.2 million in 2013, increased to TL 5 million in 2014.

Local business accounted for 75.5% of the Company's total premium production in the Life branch.

Profitability Ratios in Life (%)	2013	2014
Gross		
Loss Ratio	39	48
Expense Ratio	45	43
Combined Ratio	84	91
Net		
Loss Ratio	35	41
Expense Ratio	48	45
Combined Ratio	83	86
Technical Profit/Loss (TL mn)	4.2	5.0

Premium Income (TL mn)



International Portfolio

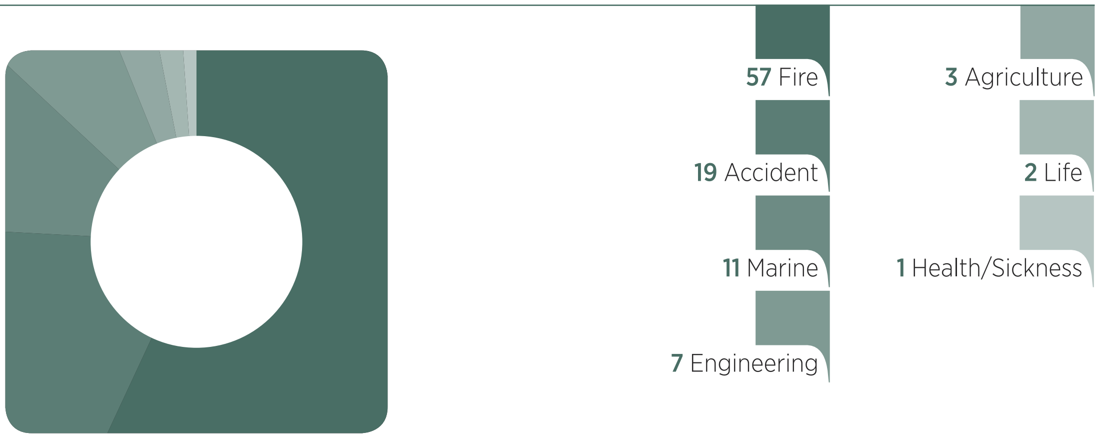
Milli Re started playing an even more active role in the international reinsurance markets, particularly since 2006, with the purpose of maintaining stable premium volume and improving technical profitability through diversification of its portfolio.

A significant portion of the developing international portfolio is made up of business from 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 selected Continental European and Lloyd's market players as well as capital support to few Lloyd's syndicates 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.

- 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)

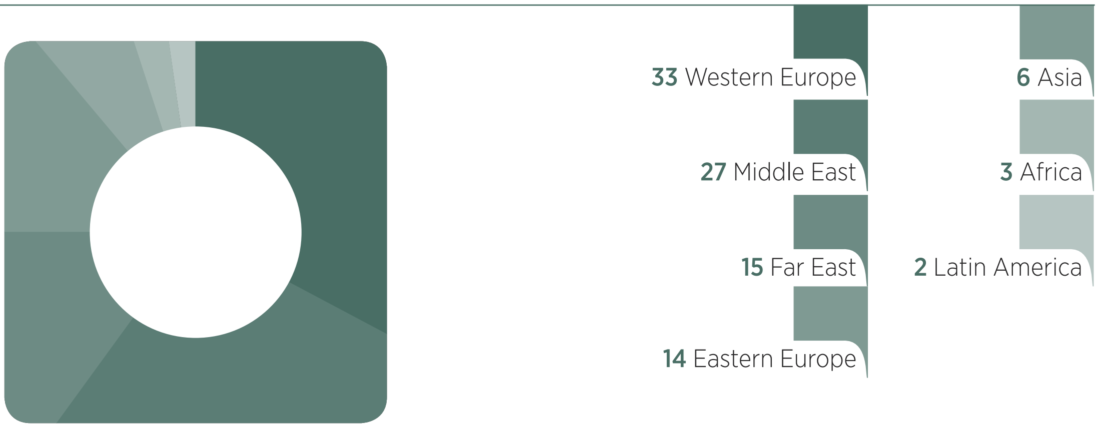
Breakdown of Premiums of International Portfolio by Branches (%)



International Portfolio	2010	2011	2012	2013	2014
Premium (TL)	171,561,365	215,312,996	248,590,527	221,634,950	236,768,156
Share in Total Premium (%)	20.1	21.7	24.1	24.0	24.7

International Portfolio

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



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

Split of International Premium by Source of Production (%)

Developed markets

As part of international expansion strategy, Milli Re began providing capacity to selected Continental European and Lloyd's market players starting from 2007, through participation in pro-rata and non-proportional reinsurance contracts and also providing third party capital to a few syndicates. This part of the portfolio roughly corresponds to 33% of the total international premium generated.

Excess capital supply due to substantial growth in alternative capital and ongoing consolidations within the market, below average large losses and strong balance sheets of reinsurers have continued to soften the market, leading to significant rate reductions across nearly all lines and territories. This situation inevitably was reflected to our Developed Markets premium income. However we were able to see that the impact was largely muted by the scale and the efficiency of the cedants in cycle management.

In 2015 renewals, in spite of the competition and buyers' tendency to tier reinsurers, Milli Re was not affected by over placements and renewed expiring lines in all programs. Despite the slight reduction in premium income, we continue to have favorable technical results from this portfolio given low cat activity and healthy prior year reserve releases.

Common characteristics of emerging markets and developments in these markets

Playing an important role within Milli Re's international portfolio, emerging markets share some common characteristics including rapid economic growth, increasing investment in infrastructure, low insurance penetration and density ratios, a significant share of non-life insurance policies in companies' portfolios and excessive competition.

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

International Portfolio

Some of the characteristics and developments in various emerging markets in 2014 are presented below:

Middle East/North Africa: After the slower growth in premium production in 2013, the insurance industry in the Middle East demonstrated a more positive performance in 2014, in marked contrast with the saturated markets of developed countries. Due to the continued growth of the insurance market, the Middle East and the Gulf region remained a focus of attention for both international and regional reinsurers in 2014. Competing to be the region's financial centre, the Qatar and Bahrain markets could not emulate the success of the Dubai International Financial Centre (DIFC Dubai International Finance Center) when it came to opening of new companies; the Catlin Group, XL Re and Antarah began operating in the DIFC in 2014. Lloyds of London is also expected to start providing services in the DIFC in 2015.

The pressure on pricing and conditions due to by the ongoing competition in the insurance market in the Middle East remains a major problem in the region. Despite record-low level of pricing, there has been a continued influx of capacity from global and regional reinsurance markets and these excess capacity way give an end to the tightening trend in terms and conditions since 2011. Civil uprisings in 2011 and a number of devastating catastrophic events throughout the world led to a sharp tightening in conditions as the event limit included in the terms of the reinsurance agreements. Furthermore, a number of large-scale risk losses have led reinsurers to tighten their approach towards facultative reinsurance acceptances made by cedants. However, in today's environment where market conditions have softened, it is unclear how long regional reinsurers will be able to protect the benefits they have obtained in the terms of the agreements.

Apart from a small number of markets, including Saudi Arabia, renewals were completed smoothly across the region in 2014. Due to the increased risk losses in the Saudi Arabian market in recent years, some ceding companies experienced difficulty in maintaining their reinsurance panels and, in some cases, even their treaty leaders. Ceding companies also continued to increase their retention limits in order to maintain commission rates, and have therefore been in a position to monitor their exposure more successfully.

There were no significant changes in reinsurance treaties in general renewals for North African markets such as Algeria, Morocco and Tunisia in 2014. The absence of any major natural disasters in recent years has strengthened reinsurers' tendency to participate and increase their share in catastrophe programs. Price increases and improvements in the treaty terms were observed in some programs that were subjected to risk of damage.

Work on the pool system planned to be established in order to cover natural disasters in Morocco continued in 2014, with the pool expected to be operational in the next few years.

Indian Peninsula: A significant process of change has got underway in the Indian insurance market since it was opened up to foreign markets in 2000, and 24 Life and 28 Non-Life-insurance companies (a total of 52 companies) are currently operating in the Indian market. The total insurance penetration rate in India increased from 2.3% in 2000 to 3.9% as of 2013, and insurance density increased from USD 10 per capita in 2000 to USD 53 in 2013.

With the impact of the economic slowdown, the Indian insurance market is expected to have closed 2014 with a premium growth rate of 15% lower than the levels seen in the past years. As well as the slowdown in growth in premiums in the Land Vehicles branch, a decrease in industrial activity and decline in the volume of investment in new projects was also a factor in the slower rate of growth.

The low insurance penetration rate and increase in income of the burgeoning middle class indicates the long-term potential of the Indian insurance industry. In particular, considering the absence of a state-sponsored health insurance system in the country, the health branch is expected to achieve an annual growth rate of around 20% and contribute to the establishment of the new companies. In addition, the bill proposing to increase the foreign direct investment limit from 26% to 49% which was approved in July 2014, is expected to pave the way for new investments and contribute to the development of the sector.

Combined ratios of 110% to 125% have been seen in the Indian insurance industry due to the poor results in the Land Vehicle, Health and Fire branches in recent years, but the Indian insurance industry posted a profit in the 2013 fiscal year with the impact of investment income.

Treaty and event limit reductions have been witnessed in many of the program, while a decline in commission rates in Fire and Engineering contracts was also seen due to the weak performance of proportional contracts in 2014. On the other hand, despite claims incurred, ceding companies have succeeded in keeping pricing of non-proportional contracts at a constant level by raising retentions and reducing capacity.

International Portfolio

Due to the Hudhud storm and floods in Jammu and Kashmir that took place in 2014, causing a total of USD 790 million of insured losses and USD 7.8 billion in economic harm, tighter market conditions are expected during the April 2015 renewals.

Eastern Europe/Russia: No serious catastrophic damage affecting agreements occurred in the Eastern European market in 2014, apart from the hailstorms in Sofia/Bulgaria. The floods in Serbia and Bosnia caused USD 4.5 billion in economic loss in May 2014. However, due to the low insurance penetration rate in the region, the insured losses only amounted to USD 125 million. As a result of these developments as well as the current market conditions, the contract price of loss-free catastrophic risks in the region declined by 15%. Prices of loss-free risk contracts have decreased by between 10% and 20%. It is noteworthy that in areas where there is intense competition, prices of loss-free risk and catastrophe programs have remained unchanged or even decreased slightly in 2014.

The reinsurance capacity offered to the region continued to increase in 2014 due to the efforts of new players seeking to enter the region and existing players aiming to capture more market share. On the other hand, the need for international reinsurance capacity in the region decreased due to the increased reinsurance capacity provided by group reinsurance companies, which softened prices and terms further.

Most countries in the region are prepared to bring the “Solvency II” criteria into effect in the near future. The standards required for capital in this practice are expected to particularly affect smaller companies in the industry. Therefore, companies have been seeking new reinsurance solutions during the renewals, such as purchasing adverse development cover against disaster. In addition, the Land Vehicles branch, which has been producing negative results for many years due to the high frequency of losses and insufficient price increases has a significant weight in the portfolio of insurance companies, the capital adequacy of these companies are also adversely affected.

The Russian insurance sector was hit by the economic recession due to the sanctions imposed by the European Union and the United States. As a result, the sector posted particularly low rates of growth in the Fire and Engineering branches. Due to the ongoing sanctions, insurance companies turned their attention to reinsurance markets outside the United States and are striving to diversify their reinsurance panels by adding companies outside the European Union. In addition, the measures have been taken with respect to reinsurance treaties, in response to the depreciation of the currency and negative effects that will be created by the more serious level of sanctions.

The “Zagorskaya” engineering loss in 2013, which impacted a number of companies in Russia, continues to be the largest source of loss in the industry. In addition, two major fires - Anchinsk and Evraz - took place in 2014, causing significant damages. No significant price hikes were observed in the programs affected by this damage. As a result, despite the massive damage seen in recent years, the low pricing in the reinsurance market continued.

Far East: 2014 was a benign year for insured CAT losses despite an active typhoon season in the Western Pacific Ocean. The ever-present threat of natural peril losses is clear and increasing exposures in the region support our view that the current soft market situation is unsustainable. Typhoon Haiyan (Yolanda) in November 2013, the strongest typhoon ever recorded to make landfall seems to be a distant memory in 2014 business discussion.

As we have mentioned last year, we continue to observe greater capacity offered by existing players and new capacity entering the region. No doubt, this situation has continued to worsen the softening market.

Regulatory changes made headlines in 2014. China’s C-ROSS (China Risk Oriented Solvency System) has implication on onshore and offshore reinsurers transacting business in China from 2016 through a more sensitive risk-based capital requirement when dealing with reinsurance companies, particularly foreign based reinsurers. The Indonesian local retention policy announced in December 2014 caught everyone by surprise, wiping out most of the small and medium-sized insurers’ relationships with international reinsurers. Regulatory development is expected to continue in the region and increasing emphasis on security rating has been observed. Reinsurance companies will have to be responsive and adaptive to future regulatory changes for sustained market presence.

International Portfolio

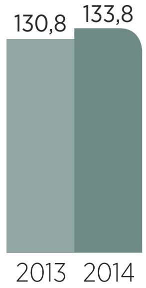
Fire

Fire premium from international operations stood at TL 133.8 million, showing a limited increase compared to the previous year on the back of successful retention of the existing portfolio, the continuation of underwriting measures being taken within the context of our strategy of focusing on bottom line and the positive impact of exchange rate movements. The Fire premium constitutes 57% of the overall international portfolio premium.

2014 was a quiet year in terms of Catastrophe Losses, which was reflected positively to bottom line of the developed markets portfolio. With payments for some prior year claims set off from the Equalization Reserve and the positive effects of reserve releases, a significant technical profit was achievable. In addition, with regard to emerging markets, there was an increase in premiums, a year-on-year reduction in mid-size and large losses and the positive impact of technical provisions carried forward, resulted in a significant decrease in net loss ratio. As a result, there was a technical profit of TL 60.6 million in the international Fire portfolio.

The Company generated 31.5% of its total Fire premium from the international portfolio.

Premium Income (TL mn)



Profitability Ratios in Fire (%)	2013	2014
Gross		
Loss Ratio	90	42
Expense Ratio	30	27
Combined Ratio	120	69
Net		
Loss Ratio	99	42
Expense Ratio	35	30
Combined Ratio	134	72
Technical Profit/Loss (TL mn)	6.6	60.6

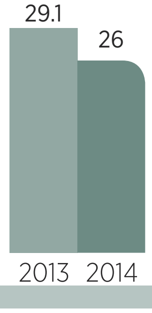
Marine

Due to business cancelled in line with portfolio pruning initiatives, the Company's premium production in Marine from the international portfolio narrowed by 10.7% year-on-year to TL 26 million.

Despite the decrease in premium production, due to the positive effect of Outstanding Losses and Unearned Premium Reserves Carried Forward from the previous year, the net loss ratio declined to 60% and a technical profit of TL 3.9 million was attained.

38.9% of the Company's total Marine premium was generated from the international business.

Premium Income (TL mn)



Profitability Ratios in Marine (%)	2013	2014
Gross		
Loss Ratio	77	61
Expense Ratio	32	31
Combined Ratio	109	92
Net		
Loss Ratio	76	60
Expense Ratio	34	33
Combined Ratio	110	93
Technical Profit/Loss (TL mn)	1.4	3.9

International Portfolio

Engineering

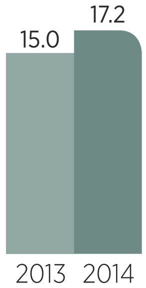
Premium production in Engineering from the international book rose by 14.7% year-on-year to reach TL 17.2 million due to increased participations in the existing accounts related to developing markets, the positive impact of exchange rate movements as well as the lagging of some statements of accounts of certain ceding companies.

In emerging markets portfolio, Paid and Outstanding Claims increased by 13.7% and 13.2% respectively; when combined with the adverse effects of Premiums Paid to Reinsurers and Unearned Premium Reserves, this caused the net loss ratio to increase to 78% with a technical loss of TL 1 million.

9.1% of the Company's total Engineering premium production was generated from international business.

Profitability Ratios in Engineering (%)	2013	2014
Gross		
Loss Ratio	67	61
Expense Ratio	40	35
Combined Ratio	107	96
Net		
Loss Ratio	69	78
Expense Ratio	41	46
Combined Ratio	110	124
Technical Profit/Loss (TL mn)	1.4	(1.0)

Premium Income (TL mn)



Land Vehicles (Own Damage)

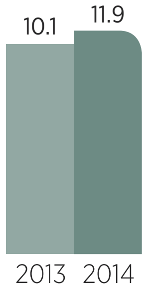
Premium production of Land Vehicles (Own Damage) in the international book expanded by 17.8% to reach TL 11.9 million in 2014. This increase was mainly due to the developed market portfolio as well as exchange rate movements.

Because of the contraction in local premiums resulting from the Company's policy of withdrawing from loss-producing lines, the share of the international portfolio in the Company's total premium production in the Land Vehicles (Own Damage) increased to 87.1%.

As a result of the 35.9% year-on-year decrease in outstanding losses, the net loss ratio decreased to 60%. As a result of the aforementioned improvements, a technical profit of TL 2.6 million was achieved in 2014, in contrast to the technical loss of TL 0.8 million which had been written in 2013.

Profitability Ratios in Land Vehicles (Own Damage) (%)	2013	2014
Gross		
Loss Ratio	92	61
Expense Ratio	22	15
Combined Ratio	114	76
Net		
Loss Ratio	92	60
Expense Ratio	22	15
Combined Ratio	114	75
Technical Profit/Loss (TL mn)	(0.8)	2.6

Premium Income (TL mn)



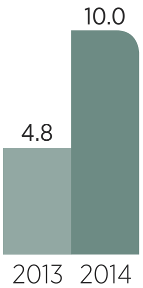
International Portfolio

Land Vehicles Liability

In this branch, where premiums entirely consisted of business from the Turkish Republic of Northern Cyprus, premium production increased considerably due to new business written in 2014 and Company's total premium production in Land Vehicles Liability increased from TL 4.8 million in 2013 to TL 10 million in 2014. Despite the said increase, because of adverse impact of Unexpired Risks Reserve and Unearned Premiums Reserve, a technical loss of TL 6.1 million was registered.

The Company generated 23.6% of its total Land Vehicles Liability premium from the international portfolio.

Premium Income (TL mn)



Profitability Ratios in Land Vehicles Liability (%)	2013	2014
Gross		
Loss Ratio	50	50
Expense Ratio	31	17
Combined Ratio	81	67
Net		
Loss Ratio	50	50
Expense Ratio	31	17
Combined Ratio	81	67
Technical Profit/Loss (TL mn)	1.7	(6.1)

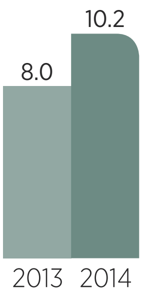
General Liability

Premium production of the General Liability segment in the international book expanded by 27.5% year-on-year to reach TL 10.2 million in 2014. This increase was mainly emanated from the developed markets portfolio.

The net loss ratio increased to 169% in 2014 with a technical loss of TL12.9 million due to the increases in Paid and Outstanding Claims.

The Company generated 22.9% of its total General Liability premiums from the international portfolio.

Premium Income (TL mn)



Profitability Ratios in General Liability (%)	2013	2014
Gross		
Loss Ratio	71	160
Expense Ratio	21	26
Combined Ratio	92	186
Net		
Loss Ratio	75	169
Expense Ratio	24	30
Combined Ratio	99	199
Technical Profit/Loss (TL mn)	0.6	(12.9)

International Portfolio

Accident (Excluding General Liability and Land Vehicles Own Damage)

The Company's premium production in Accident increased by 9.2% to TL 14.3 million.

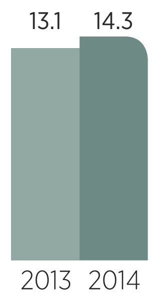
Within the scope of the portfolio pruning measures applied in past years, paid claims decreased by 38% year-on-year on the back of the cancellation of poor-performing contracts, and the net loss ratio receded to 55%.

The Company's technical profit in Accident increased from TL 0.5 million in 2013 to TL 4.2 million in 2014.

The Company generated 25.5% of its total Accident premium from the international portfolio.

Profitability Ratios in Accident Excluding General Liability and Land Vehicles Own Damage (%)	2013	2014
Gross		
Loss Ratio	86	58
Expense Ratio	41	37
Combined Ratio	127	95
Net		
Loss Ratio	81	55
Expense Ratio	40	37
Combined Ratio	121	92
Technical Profit/Loss (TL mn)	0.5	4.2

Premium Income (TL mn)



Agriculture

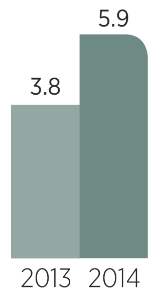
Premium production from the Agriculture business in the international book expanded by 55.3% year-on-year, mainly due to the developed market portfolio, to reach TL 5.9 million in 2014.

Due to the Outstanding Claim Provisions carried forward, a technical profit was achieved in emerging markets portfolio; however, due to losses booked related to a cancelled contract in the developed markets portfolio, TL 0.6 million technical loss was recorded in agriculture in 2014. On the other hand, the increase in premiums and decrease in commissions led to a significant improvement in the expense ratio.

The Company generated 8% of its total Agriculture premiums from the international portfolio.

Profitability Ratios in Agriculture (%)	2013	2014
Gross		
Loss Ratio	65	69
Expense Ratio	107	41
Combined Ratio	172	110
Net		
Loss Ratio	66	78
Expense Ratio	121	44
Combined Ratio	187	122
Technical Profit/Loss (TL mn)	0.8	(0 6)

Premium Income (TL mn)



International Portfolio

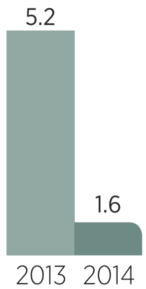
Health/Sickness

Due to the cancellation of poor-performing contracts in line with the portfolio improvement measures taken in the past couple of years, premiums from the international portfolio of Health/Sickness contracted by 69.2% to TL 1.6 million.

Due to the mentioned contract cancellations, there was a sharper decline in premiums written than the claims paid, increasing the net loss ratio, and generating a technical loss of TL 0.4 million.

7.6% of the total premiums generated in Health/Sickness insurance were derived from the international business.

Premium Income (TL mn)



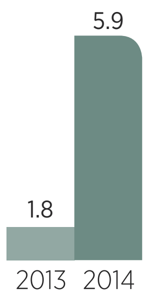
Profitability Ratios in Health/Sickness (%)	2013	2014
Gross		
Loss Ratio	100	120
Expense Ratio	12	21
Combined Ratio	112	141
Net		
Loss Ratio	100	120
Expense Ratio	12	21
Combined Ratio	112	141
Technical Profit/Loss (TL mn)	0.1	(0.4)

Life

Life insurance, premium which is written from emerging markets, increased from TL 1.8 million in 2013 to TL 5.9 million in 2014. The technical profit improved and realized as TL 0.4 million in 2014.

24.5% of the total premiums generated in the Life insurance branch stemmed from the international business.

Premium Income (TL mn)



Profitability Ratios in Life (%)	2013	2014
Gross		
Loss Ratio	30	57
Expense Ratio	56	14
Combined Ratio	86	71
Net		
Loss Ratio	30	23
Expense Ratio	56	42
Combined Ratio	86	65
Technical Profit/Loss (TL mn)	0.2	0.4

> "Milli Re posted a total operating profit of TL 11 million in 2014, while total assets increased to TL 2,004 million and shareholders' equity to TL 753 million.

TL **660** million

Milli Re's paid-up capital increased by TL 45 million to TL 660 million during 2014.

Internal Audit Practices

Internal audit is an independent and objective assurance and advisory activity, which seeks to improve an organization's activities and to add 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 functions of internal audit include constant monitoring and auditing of all business 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, errors, or fraud, and evaluation of the efficiency of internal control and risk management processes.

In conjunction with the above, an important aspect of the 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.

The Internal Audit Department of Milli Re was established on 1 January 2005 and began operations on 1 April 2005. Internal audit operations continued under the framework of the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published in the Official Gazette No. 26913 dated 21June 2008.

The Internal Audit Department, in order to allow an independent and objective assessment, is operatively connected directly to the Board of Directors. The conclusions of the audit are reported to the Board of Directors through the Board member responsible for Internal Systems.

Every year in December, an Internal Audit Plan containing the audit work to be done next year is prepared and presented to the Board of Directors for approval, taking into account the date of the last inspection and risk assessments of the unit.

In accordance with the Internal Audit Plan approved by the Board at the end of 2013, the Internal Audit Department completed on-site inspection of all units, and the Company's Singapore branch through observation, interview and data analysis, during 2014. The audit produced no findings that might have a n 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 customs of Insurance Industry. 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 encapsulate 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 23 people, out of whom 4 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 have been 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 checked; their fitness 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 negative aspect is established 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 business units are based on the risk and control points stated in the guidelines distributed 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. In situations where there are more transactions, such as business acceptance, clause addition to the system and creation of account transactions, 30 samples are taken regardless of the frequency in the year of the process.

Issues identified through the controls performed at business units and reported to the Control Center via Risk Warning Reports within the frame of implementations under basic control areas, which are core reinsurance and 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.

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 threshold in total premium production in 2007. Anadolu Sigorta holds ISO 9001:2000 Quality Management System Certification, which validates the implementation of its quality management system according to the international standards. Anadolu Sigorta operates in all non-Life insurance branches.

Milli Re 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-traded.

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, Milli Re 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 for 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.

Milli Re 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 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 2014, 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 2014 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 2014,
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. Approval of the selection for the free seats of the Board Directors in accordance with Articles 363 of the Turkish Commercial Code (TCC) and Article 12 of the Company's Articles of Association,
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 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 2014 marking the Company's 86th year of operation, which are prepared in line with the provisions of applicable legislation and the principles and guidelines set out by the Turkish Republic Prime Ministry Undersecretariat of Treasury.

Despite the positive developments in the US economy in 2014, growth in the global economy was lower than had been anticipated as economic indicators in European Union countries, especially in the Euro Zone, had still not reached an even keel, along with the slowdown in Japan's economy and negative developments in the Russian economy. One of the major causes of the problems facing the Russian economy was the sharp plunge in oil prices.

Even though the oil price fell from USD 115/bbl in mid-2014 to USD 56/bbl by the end of 2014, oil-producing countries did not suffer any disruption to oil production and supply. The decline in oil prices affected both energy importers and exporters in different ways. While the lower prices brought a windfall for energy importers, oil exporters were affected negatively. Although our country has been among the countries to have benefited due to the positive effect of declining oil prices has on inflation and the current account deficit, annual growth figures remained below the forecasts. The loss of momentum in Turkey's economic growth in 2014 resulted from adverse weather conditions leading to lower than projected agricultural production, as well as the slowdown in exports due to geopolitical developments.

A total of 980 natural disasters occurred in various regions of the world in 2014 in what was an increase when compared to the previous year as well as being higher than the average of the last ten years. Around 7,700 people lost their lives, not as deadly a year as either the year before it or the average over the previous ten years. Natural disasters occurring during the year resulted in USD 120 billion of total direct economic losses, saddling the insurance industry with USD 35 billion of losses. Approximately 70% of the natural disasters which occurred in 2014 were caused by meteorological events. The largest natural disaster during the year was the "Hoopoe" storm, which occurred in the Gulf of Bengal in October, affecting East India and Nepal and causing about USD 7 billion in economic losses. However, due to the low rate of insurance in the region, only around USD 530 million in damages were paid out by the insurance industry in the region. The most costly natural disaster for the insurance sector occurred in Japan in February, where very severe winter conditions, unprecedented in the last 45 years, and heavy snow caused about USD 6 billion of economic losses, of which the insurance industry's burden amounted to about USD 3 billion. In addition, severe winter conditions and storms caused great damage during the year in the United States, Canada and several European countries, also having a heavy impact on the insurance market.

No natural disasters which significantly affected our insurance industry occurred in Turkey in 2014.

Report by the Board of Directors

The Turkish insurance industry generated approximately TL 26 billion of premiums in 2014, an increase of 7% year-on-year and therefore not posting any real growth. The main reason for this development was the limited increase of just 2% in premium production, especially in Land Vehicles and Land Vehicles Liability insurances due to the intense competition. Land Vehicles and Land Vehicles Liability represent the highest premium producing branches in the industry with a 47% share in total premium production. The limited growth recorded in the premium production of these branches had a negative effect on the sector's overall premium production.

Writing business from the Turkish insurance industry since 1929, in line with its strategy of international expansion Milli Re began to focus on international markets in 2006, and the Singapore Branch, which was established as part of this strategy, began operations in 2008. Having thus started to take on a more active role in international reinsurance markets, the Company's total premium production amounted to TL 958 million in 2014, 75% of which (TL 721 million) being generated from local business and 25% (TL 237 million) from the international book. Milli Re's total premium production increased by 3.5% year-on-year.

The Company posted a total operating profit of TL 11 million in 2014, of which TL 8.5 million was derived from financial operations and TL 2.5 million from technical operations. The Company's paid-up capital increased by TL 45 million to TL 660 million during the year 2014, while total assets increased to TL 2,004 million and its shareholders' equity to TL 753 million.

The Company is the only local reinsurance company actively operating in Turkey. Milli Re has participated in most of the reinsurance programs of insurance companies operating in the market, the majority of which have foreign capital, and has been the leader of the proportional reinsurance treaties of 15 companies. This demonstrates the Company's knowledge of the local market, its experience, the soundness of its financial structure and its reputation among international reinsurance companies.

The Company aims to maintain its leadership and preserve its market share in the Turkish market in the coming years, and to sustain consistent development in the international portfolio.

We would like to extend our thanks to our esteemed shareholders and our employees, who provided the greatest contribution to our Company to maintain its prestige and reliability acquired during the past 86 years and who are the greatest supporters in Milli Re's efforts to be a preferred business partner, with 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 not subjected to public audit in 2014.

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 2014.

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 15,940 in 2014.

Relations with the controlling company or an affiliate thereof
Between Milli Re 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 2014 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 180 exhibitions, all of which were widely acclaimed in art circles and followed with interest. The gallery has published more than one hundred and seventy 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 September through May every year.

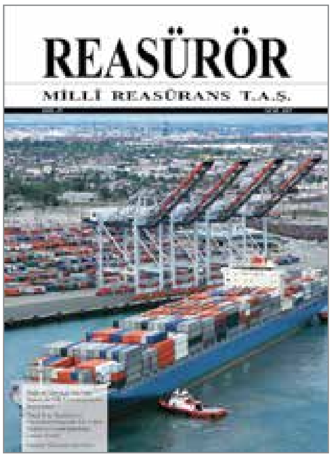
In addition to the regularly performed concerts, the Orchestra takes part in various national and international festivals. The Milli Re Chamber Orchestra also released two CDs, titled "Romantic Era Strings Music" and "Şensoy Plays Tura".

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

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.**



Corporate Social Responsibility

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.

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 with a modern information and document management approach.

The Milli Re Library is the 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 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, training programs 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. TII also organizes "Personnel Promotion Exams" for insurance companies.

With a view to enhance the quality of insurance sector, TII welcomes academicians to training programs without any charge, publishes Journal of Insurance Research, which is a scientific and refereed journal. Cooperating with leading international institutions expert in insurance education, TII presents a very comprehensive and up to date library, made up by the publications provided by these institutions, to the use of researchers in insurance sector.

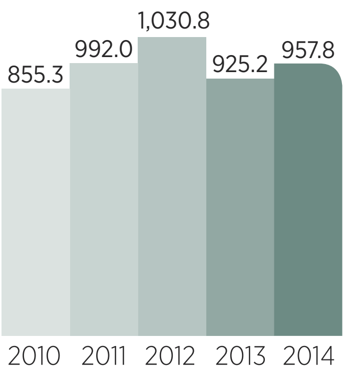
Financial Status

Key Financial Indicators

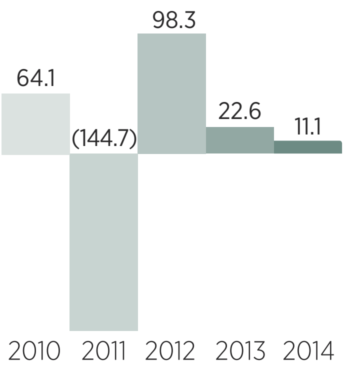
Financial Results (TL million)	**2013**	**2014**	**Change (%)**
Total Assets	1,847.2	2,003.6	8.5
Shareholders' Equity	702.0	753.0	7.3
Technical Income	2,110.0	2,186.0	3.6
Technical Profit/Loss	10.7	2.5	(76.7)
Financial Income	44.4	38.7	(12.8)
Financial Profit/Loss	11.9	8.5	(28.6)
Profit/Loss for the Period	22.6	11.1	(51.0)

Ratios (%)	**2013**	**2014**
Liquid Assets/Total Assets	60	62
Gross Written Premiums/Shareholders' Equity	132	127
Profit Before Tax/Gross Written Premiums	2	1
Shareholders' Equity/Total Assets	38	38
Profit Before Tax/Average Shareholders' Equity (Excluding profit)	3	2
Profit Before Tax/Average Total Assets	1	1
Net Loss Ratio	78	78

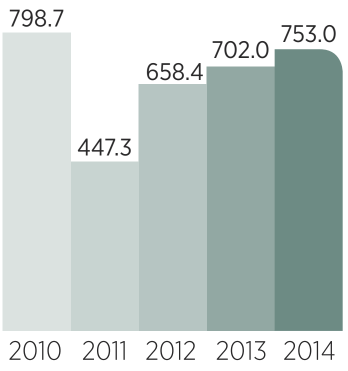
Premium Income (TL mn)



Profit/Loss for the Period (TL mn)



Shareholders' Equity (TL mn)



Key Financial Figures

(TL)	2010	2011	2012	2013	2014
Assets					
Cash and Cash Equivalents	382,316,698	582,286,838	677,226,863	603,582,774	742,193,459
Securities	495,359,682	306,538,179	360,820,842	497,248,099	490,228,721
Affiliates	387,588,848	227,120,790	330,278,828	381,857,848	407,993,857
Fixed Assets	48,174,048	46,841,614	45,615,896	43,700,317	42,942,507
Doubtful Receivables (Net)	0	0	0	0	0
Total Assets	1,621,268,850	1,594,891,858	1,763,913,538	1,847,223,745	2,003,646,493
Liabilities					
Technical Provisions	756,994,096	1,079,305,637	1,026,897,719	1,056,899,201	1,164,240,501
Shareholders' Equity*	798,689,610	447,269,521	658,397,986	702,005,911	753,001,793
Income and Expense Items					
Technical Income	1,731,029,743	1,937,552,261	2,266,964,100	2,109,803,536	2,185,963,569
Technical Expenses	1,709,405,483	2,133,674,154	2,161,861,498	2,099,084,858	2,183,435,317
Technical Profit/Loss	21,624,260	(196,121,892)	105,102,602	10,718,678	2,528,252
Financial Income	84,818,884	86,126,846	44,254,248	44,392,360	38,743,809
Financial Expenses	35,843,117	28,925,708	43,718,498	26,301,485	19,877,794
General Expenses	6,509,257	5,816,234	7,289,532	6,170,640	10,339,595
Financial Profit/Loss	42,466,510	51,384,904	(6,753,784)	11,920,236	8,526,420
Profit/Loss for the Period	64,090,771	(144,736,989)	98,348,818	22,638,914	11,054,672

* Including Profit/Loss for the Period

An Evaluation of 2014 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 consists of financial investment instruments offering a high yield and liquidity and which 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 2014 income from Bank Deposits and Government Bond coupons increased due to the increase in Bank Deposits interest rates, and the Company's income from financial investments rose by 21.90% year-on-year to reach TL 85,167,377. In addition, the Company recorded an income of TL 30,235,052 on marketable securities and fixed-income securities within our investment portfolio, reflecting the developments in financial markets.

The Company booked TL 14,784,524 of foreign exchange gains due to the fluctuations in exchange rates during the reporting period, and TL 11,853,524 of rental income on investment properties.

At the bottom line, Milli Re's investment income totalled TL 139,908,159 in 2014.

(TL)	2013	2014	Change (%)
Investment Income	114,774,966	139,908,159	21.90
Income from Financial Assets	73,775,818	85,167,377	15.44
Income from Disposal of Financial Assets	11,771,610	30,235,052	156.85
Valuation of Financial Assets	(6,225,984)	(2,715,810)	(56.38)
Foreign Exchange Gains	20,774,871	14,784,524	(28.83)
Income from Subsidiaries and Joint Ventures	1,925	347,307	17,942
Income from Property, Plant and Equipment	10,331,531	11,853,524	14.73
Income from Derivative Transactions	4,345,195	236,185	(94.56)

An Evaluation of 2014 Financial Results

Investment Expenses

The Company's investment expenses increased by 51.43% year-on-year in 2014. In accordance with the provisions of the Communiqué published by the Undersecretariat of the Treasury of the Prime Ministry of the Turkish Republic, a portion of the financial income and expense items was transferred to the technical income and expense accounts for the related branches. Detailed information of this implementation is presented in the section entitled "Notes to the Financial Statements for 2014" of this Annual Report.

A total of TL 111,330,054 from investment income and TL 46,066,227 from general expenses was transferred from financial accounts to technical accounts in 2014. Due to the movements in exchange rates, currency translation losses increased by 167.05% to TL 6,885,399.

(TL)	2013	2014	Change (%)
Investment Expenses	(90,248,876)	(136,665,567)	51.43
Investment Management Expenses – Incl. Interest	(1,472,447)	(277,185)	(81.18)
Loss from Disposal of Financial Assets	(9,840,257)	(9,871,181)	0.31
Investment Income Transferred to Non-Life Technical Account	(63,118,469)	(111,330,054)	76.38
Loss from Derivative Transactions	(6,400,095)	(97,745)	(98.47)
Foreign Exchange Losses	(2,578,350)	(6,885,399)	167.05
Depreciation and Amortization Expenses	(2,137,359)	(2,127,443)	(0.46)
Other Investment Expenses	(4,701,899)	(6,076,560)	29.24

Income and Expenses from Other and Extraordinary Operations

The "Income and Expenses from Other and Extraordinary Operations" account realised as TL 5,283,828, on the back of the Provisions and Deferred Tax Assets.

(TL)	2013	2014	Change (%)
Income and Expenses From Other and Extraordinary Operations	(12,605,854)	5,283,828	-
Provisions	(6,780,407)	4,352,561	-
Rediscounts	26,996	340,606	1,161.69
Deferred Tax Assets	0	2,064,884	+
Deferred Tax Liabilities	(6,036,785)	0	-
Other Income	214,969	145,797	(32.18)
Other Expenses and Losses	(30,627)	(1,620,020)	5,189.52

At the bottom line, the Company's total assets increased by 8.47% year-on-year to reach TL 2,003,646,493. Having booked a net profit of TL 22,638,914 for 2013, the Company posted a net profit of TL 11,054,672 in 2014, within the framework of the defined strategies and projections.

Dividend Distribution Policy and Proposal

Dividend Distribution Policy

In relation to dividend distribution, maintaining a balance between the Company's interests and shareholders' expectations, and due regard paid to the Company's profitability are the main factors to be taken into consideration.

Dividend distribution principles that are determined within the framework of the 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 proposal set forth by the Board of Directors in view of the provisions of the Turkish Commercial Code and other applicable legislation governing the Company.

The Company's net profit consists of the revenues generated up until the end of a fiscal year less general expenses, depreciation, all reserves deemed necessary, taxes and similar legal and financial obligations, along with previous years' losses, if any.

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

a) An amount equal to 5% of the net annual profit is set aside as general legal reserves every year until such reserves reach 20% of the paid-up capital.
b) Once the legal limit is reached, the amounts stipulated by Article 519/2(a) and (b) of the Turkish Commercial Code are added to the general legal reserves.
c) A first dividend equal to 10% of the remaining net profit is distributed to shareholders.
d) In the event that the Company has repurchased its own shares, reserves equal to the amount that would cover the acquisition costs will be set aside pursuant to Article 520 of the Turkish Commercial Code.
e) A natural disaster and catastrophe fund may be set aside from the remaining amount, if deemed necessary, of amounts to be determined upon the proposal set forth by 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, a 3.5% proportion is paid out to founder shares, and up to 3% to employees, provided that the amount does not exceed a level three times' the recipients' salaries.
g) From the amount remaining after the above mentioned allocations and distributions, a second dividend is paid to shareholders upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly, in line with the provisions of the applicable legislation.
h) In pursuance with the provision of Article 519/2(c) of the Turkish Commercial Code, 10% of the total amount to be distributed to those who will receive a share of the profit will be added to legal reserves.
i) The balance will be utilized in a 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, no decision may be taken to set aside further reserves, to carry forward profit to the following year or to distribute any share of the profit to the Board of Directors members, founders and employees.

The distribution of the cash dividend must be realized by the end of the second month following the date of the Annual General Meeting in which the profit distribution decision was passed. The distribution of a dividend in the form of dematerialized shares is carried out upon receipt of legal permissions.

Dividend Distribution Policy and Proposal

Dividend Distribution Proposal

In view of the loss the Company posted in prior years in the amount of TL 23,749,257, no distributable amount arose although a net profit for the period was booked in 2014 in the amount of TL 11,054,672.

		31.12.2014
1.	Profit/Loss for the Period	11,054,672
2.	Taxes Payable (-)	0
3.	Net Profit/Loss for the Period (=)	11,054,672
4.	Losses in Prior Years	(23,749,257)
5.	First Legal Reserves	0
6.	Net Distributable Profit	(12,694,585)
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, insurance and reinsurance companies inevitably establish risk management systems and processes, and systematically monitor risk exposure. Therefore, the Company has been implementing risk management techniques for many years; development of these techniques has gained even greater importance due to the recent adverse developments in the Turkish and worldwide financial markets, 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 to 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 international markets 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 basis risks are stated below.

Risk Management Practices

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 whether concentration is in question regarding the cession of the risk to one or several certain reinsurers, concentration ratios on the ratings of these companies are taken into consideration in premiums ceded to reinsurers. Based on the limits set by the T.R. 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 T.R. 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 resulting from interest rate risk, exchange rate risk or equity position risk arising in the Company's financial position from market volatility which could result from changes in interest rates, exchange rates, equity prices, commodity prices or option prices.

When determining the Company's Market Risk exposure, the Value at Risk method is used. This method measures the maximum loss of value which might arise at various confidence levels in the investment portfolio due to volatility in the markets. Value at Risk is calculated using the "Historical Simulation Method" where historical data and different scenarios are taken into account. Calculations are based on 250 working days, a 99% confidence level and a 1 day holding period.

In addition to the daily calculated Value at Risk, the following tests are applied on a monthly basis:

- Back Testing
- Stress Tests
- Scenario Analysis

Risk Management Practices

These tests are used to support the Value at Risk method in calculating the loss of value caused by unexpected and extraordinary circumstances and intend to test the accuracy of the measurement results and monitor the sensitivity of the portfolio to changes in the basic risk factors, by creating different scenarios.

Market Risk limits are set out in the “Application Guidelines on Risk Limits”, while limits on the Investment Portfolio are set out in the “Derivatives Policy” of the relevant year, the “Macro Asset Investment Policy”, the “Investment Policy” and the “Alternative Investment Plan”. The specified limits are analysed at regular intervals.

b- Liquidity Risk
This risk denotes the probability of loss the Company may be exposed to due to unavailability of cash holdings or cash inflows in quantity and quality to fully and timely satisfy its obligations 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 Borsa İstanbul, 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.

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, from where the highest percentage of business acceptances are made, are analyzed.

Risk Management Practices

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”, “Acceptable” 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”, “Acceptable” 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.

CobiT standards as well as other internationally accepted applications are used in the Measurement and evaluation of risks related to the Company’s Information Technology.

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 framework of the applicable legislation.

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

All of the work in this context was fulfilled in 2014 as part of the business processes and information systems, and an exercise study was performed in the Disaster Office on 29 November, providing connections through the Company’s servers located in Disaster Center outside of İstanbul. This study confirmed that the servers specified in the Contingency Plan and the documents stored in those servers could be accessed as was appropriate to the demands of the business process.

Risk Management Practices

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", "Acceptable" or "Low".

All findings obtained as a result of measuring the above-mentioned risks, all analyses 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 framework of the relevant consolidated policies of the group of companies to which the Company is affiliated, and covers the Company's subsidiaries 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)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
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 2014 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 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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' Report

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 2014, 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 balance sheet *Note 2*) in force as per the insurance legislation.

Report on Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities, financial statements and group's financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Alper Güvenç, SMMM

Partner

16 February 2015

İstanbul, Türkiye

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.

Millî Reasürans Türk Anonim Şirketi
Unconsolidated Financial Statements
As at and for the Year Ended 31 December 2014

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2014 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, 16 February 2015

Şule SOYLU	Yıldırım Kemal ÇUHACI	Hasan Hulki YALÇIN	Ertan TAN
Group Manager	Assistant General Manager	General Manager	Actuary

Contents

		PAGE
UNCONSOLIDATED BALANCE SHEET		**100-104**
UNCONSOLIDATED STATEMENT OF INCOME		**105-107**
UNCONSOLIDATED STATEMENT OF CASH FLOWS		**108**
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY		**110**
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION		**111**
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS		**112-161**
NOTE 1	General information	112
NOTE 2	Summary of significant accounting policies	113
NOTE 3	Critical accounting estimates and judgments in applying accounting policies	127
NOTE 4	Management of insurance and financial risk	128
NOTE 5	Segment reporting	138
NOTE 6	Tangible assets	138
NOTE 7	Investment properties	139
NOTE 8	Intangible assets	140
NOTE 9	Investments in associates	140
NOTE 10	Reinsurance asset and liabilities	141
NOTE 11	Financial assets	141
NOTE 12	Loans and receivables	144
NOTE 13	Derivative financial assets	145
NOTE 14	Cash and cash equivalents	145
NOTE 15	Equity	146
NOTE 16	Other reserves and equity component of DPF	148
NOTE 17	Insurance contract liabilities and reinsurance assets	148
NOTE 18	Investment contract liabilities	150
NOTE 19	Trade and other payables and deferred income	150
NOTE 20	Financial liabilities	151
NOTE 21	Deferred taxes	151
NOTE 22	Retirement benefit obligations	152
NOTE 23	Provision for other liabilities and charges	154
NOTE 24	Net insurance premium	154
NOTE 25	Fee revenue	154
NOTE 26	Investment income	154
NOTE 27	Net income accrual on financial assets	154
NOTE 28	Asset held at fair value through profit or loss	154

		PAGE
NOTE 29	Insurance rights and claims	154
NOTE 30	Investment contract benefits	155
NOTE 31	Other expenses	155
NOTE 32	Operating expenses	155
NOTE 33	Employee benefit expenses	155
NOTE 34	Financial costs	155
NOTE 35	Income tax expense	155
NOTE 36	Net foreign exchange gains	156
NOTE 37	Earnings per share	156
NOTE 38	Dividends per share	156
NOTE 39	Cash generated from operations	157
NOTE 40	Convertible bonds	157
NOTE 41	Redeemable preference shares	157
NOTE 42	Risks	157
NOTE 43	Commitments	157
NOTE 44	Business combinations	157
NOTE 45	Related party transactions	158
NOTE 46	Subsequent events	161
NOTE 47	Other	161

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As At 31 December 2014

(Currency: Turkish Lira (TL))

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

ASSETS

I- Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Cash and Cash Equivalents	**14**	**742,193,459**	**603,582,774**
1- Cash	14	16,329	13,024
2- Cheques Received		--	--
3- Banks	14	742,177,130	603,569,750
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**	**490,228,721**	**497,248,099**
1- Available-for-Sale Financial Assets	11	484,276,534	466,974,184
2- Held to Maturity Investments		--	--
3- Financial Assets Held for Trading	11	5,952,187	30,273,915
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**	**177,242,782**	**185,157,785**
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations	12	116,110,547	104,820,208
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	61,132,235	80,337,577
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	9,788	8,985
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(9,788)	(8,985)
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**	**406,631**	**128,059**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		272,965	90,797
4- Other Miscellaneous Receivables		133,666	37,262
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	63,177
7- Provision for Other Doubtful Receivables	4.2,12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		**110,754,503**	**102,422,866**
1- Deferred Acquisition Costs	17	92,115,629	87,498,692
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2	18,383,498	14,730,323
4- Other Prepaid Expenses		255,376	193,851
G- Other Current Assets		**9,250,002**	**8,410,159**
1- Stocks to be Used in the Following Months		26,281	31,567
2- Prepaid Taxes and Funds	12	8,759,639	8,019,284
3- Deferred Tax Assets		--	--
4- Job Advances	12	2,042	2,046
5- Advances Given to Personnel		--	--
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		462,040	357,262
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**1,530,076,098**	**1,396,949,742**

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As At 31 December 2014

(Currency: Turkish Lira (TL))

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

	ASSETS		
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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	11,695,323	10,908,362
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(11,695,323)	(10,908,362)
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**	**407,993,857**	**381,857,848**
1- Investments in Equity Shares		--	--
2- Investments in Associates		--	--
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	407,993,857	381,857,848
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**	**42,156,119**	**42,994,518**
1- Investment Properties	6,7	41,342,839	41,342,839
2- Impairment for Investment Properties		--	-
3- Owner Occupied Property	6	31,962,582	31,392,945
4- Machinery and Equipments		--	--
5- Furniture and Fixtures	6	3,925,734	3,540,753
6- Motor Vehicles	6	1,312,210	1,278,823
7- Other Tangible Assets (Including Leasehold Improvements)		--	--
8- Tangible Assets Acquired Through Finance Leases		--	--
9- Accumulated Depreciation	6	(36,387,246)	(34,560,842)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	**8**	**786,388**	**705,799**
1- Rights	8	2,666,031	2,373,390
2- Goodwill		--	--
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(1,879,643)	(1,667,591)
7- Advances Paid for Intangible Assets		--	--
G- Prepaid Expenses and Income Accruals		--	**5,479**
1- Deferred Acquisition Costs		--	--
2- Income Accruals		--	--
3- Other Prepaid Expenses		--	5,479
H- Other Non-Current Assets	**21**	**22,634,031**	**24,710,359**
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	22,634,031	24,710,359
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		**473,570,395**	**450,274,003**
TOTAL ASSETS		**2,003,646,493**	**1,847,223,745**

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet As At 31 December 2014

(Currency: Turkish Lira (TL))

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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**	**43,148,405**	**41,083,420**
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		41,910,954	40,078,893
3- Cash Deposited by Insurance and Reinsurance Companies		1,237,451	1,004,527
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**	**81,488**	**86,156**
1- Due to Shareholders	45	53,738	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	27,750	13,706
D- Other Payables	**19**	**439,815**	**312,611**
1- Deposits and Guarantees Received		42,417	42,417
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables	19	397,398	270,194
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	**17**	**1,141,736,356**	**1,035,107,914**
1- Reserve for Unearned Premiums - Net	17	359,959,784	349,862,656
2- Reserve for Unexpired Risks- Net	17	41,148,829	5,895,886
3- Life Mathematical Provisions - Net	17	368,342	641,636
4- Provision for Outstanding Claims - Net	17	740,259,401	678,707,736
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**1,393,094**	**1,156,680**
1- Taxes and Funds Payable		1,294,711	1,065,278
2- Social Security Premiums Payable		98,383	91,402
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**	**7,114,035**	**3,519,550**
1- Deferred Commission Income	10,19	445,382	372,409
2- Expense Accruals	19	6,493,459	3,042,211
3- Other Deferred Income	19	175,194	104,930
I- Other Short Term Liabilities		**--**	--
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		--	--
III - Total Short Term Liabilities		**1,193,913,193**	**1,081,266,331**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As At 31 December 2014

(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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**	**22,504,145**	**21,791,287**
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	22,504,145	21,791,287
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**	**34,135,279**	**42,160,216**
1- Provisions for Employment Termination Benefits	23	5,804,554	5,844,190
2- Provisions for Pension Fund Deficits	22,23	28,330,725	36,316,026
H-Deferred Income and Expense Accruals	**19**	**92,083**	--
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	92,083	--
I- Other Long Term Liabilities		**--**	--
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		**56,731,507**	**63,951,503**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As At 31 December 2014

(Currency: Turkish Lira (TL))

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

EQUITY

V- Equity	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Paid in Capital		**660,000,000**	**615,000,000**
1- (Nominal) Capital	2.13,15	660,000,000	615,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	**15**	**(11,907,682)**	**(9,246,073)**
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	(11,907,682)	(9,246,073)
5- Other Capital Reserves		--	--
C- Profit Reserves		**117,604,060**	**120,001,241**
1- Legal Reserves	15	49,622,694	49,622,694
2- Statutory Reserves	15	--	39,500,000
3- Extraordinary Reserves	15	12,899	5,512,899
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	68,254,045	25,630,918
6- Other Profit Reserves	15	(285,578)	(265,270)
D- Retained Earnings		**--**	--
1- Retained Earnings		--	--
E- Accumulated Losses		**(23,749,257)**	**(46,388,171)**
1- Accumulated Losses		(23,749,257)	(46,388,171)
F-Net Profit/(Loss) for the Year		**11,054,672**	**22,638,914**
1- Net Profit for the Year		11,054,672	22,638,914
2- Net Loss for the Year		--	--
3- Net Profit for the Period not Subject to Distribution		--	--
V- Total Equity		**753,001,793**	**702,005,911**
TOTAL EQUITY AND LIABILITIES		**2,003,646,493**	**1,847,223,745**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Non-Life Technical Income		**903,782,393**	**935,484,453**
1- Earned Premiums (Net of Reinsurer Share)		758,299,437	811,798,443
1.1- Written Premiums (Net of Reinsurer Share)	17	804,260,503	778,558,377
1.1.1- Written Premiums, gross	17	933,738,403	903,407,847
1.1.2- Written Premiums, ceded	10, 17	(129,477,900)	(124,849,470)
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	(10,708,123)	37,559,833
1.2.1- Reserve for Unearned Premiums, gross	17	(10,826,828)	37,593,180
1.2.2- Reserve for Unearned Premiums, ceded	10,17	118,705	(33,347)
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)		(35,252,943)	(4,319,767)
1.3.1- Reserve for Unexpired Risks, gross		(36,420,090)	(4,320,089)
1.3.2- Reserve for Unexpired Risks, ceded		1,167,147	322
2- Investment Income - Transferred from Non-Technical Section		111,330,054	63,118,469
3- Other Technical Income (Net of Reinsurer Share)		34,152,902	60,567,541
3.1- Other Technical Income, gross		34,155,847	60,539,351
3.2- Other Technical Income, ceded		(2,945)	28,190
4. Accrued Salvage and Subrogation Income		--	--
B- Non-Life Technical Expense		**(906,583,598)**	**(929,186,261)**
1- Incurred Losses (Net of Reinsurer Share)		(625,105,520)	(641,692,541)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(564,497,059)	(582,397,637)
1.1.1- Claims Paid, gross	17	(580,662,730)	(612,288,138)
1.1.2- Claims Paid, ceded	10, 17	16,165,671	29,890,501
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(60,608,461)	(59,294,904)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(64,032,241)	(40,005,276)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	3,423,780	(19,289,628)
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	(792,223)	(3,262,513)
4- Operating Expenses	32	(280,685,855)	(284,231,207)
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)		**(2,801,205)**	**6,298,192**
D- Life Technical Income		**21,023,279**	**21,370,999**
1- Earned Premiums (Net of Reinsurer Share)		19,456,394	20,078,366
1.1- Written Premiums (Net of Reinsurer Share)	17	18,845,399	20,467,708
1.1.1- Written Premiums, gross	17	24,082,962	21,743,651
1.1.2- Written Premiums, ceded	10, 17	(5,237,563)	(1,275,943)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	610,995	(389,342)
1.2.1- Reserve for Unearned Premiums, gross	17	60,476	(487,433)
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	550,519	98,091
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		1,489,069	1,212,093
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		77,816	80,540
4.1- Other Technical Income, gross		77,816	80,540
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 2014

(Currency: Turkish Lira (TL))

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
E- Life Technical Expense		**(15,693,822)**	**(16,950,513)**
1- Incurred Losses (Net of Reinsurer Share)		(7,744,956)	(7,004,352)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,801,752)	(6,596,545)
1.1.1- Claims Paid, gross	17	(10,861,957)	(6,641,402)
1.1.2- Claims Paid, ceded	10,17	4,060,205	44,857
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(943,204)	(407,807)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,109,506)	(1,421,346)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	166,302	1,013,539
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	273,294	378,443
3.1- Change in Mathematical Provisions, gross	29	273,294	378,443
3.1.1- Actuarial Mathematical Provisions		273,294	378,443
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	79,365	(265,425)
5- Operating Expenses	32	(8,301,525)	(10,059,179)
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)		**5,329,457**	**4,420,486**
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)		--	--

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
C- Net Technical Income - Non-Life (A-B)		**(2,801,205)**	**6,298,192**
F- Net Technical Income - Life (D-E)		**5,329,457**	**4,420,486**
I - Net Technical Income - Pension Business (G-H)		**--**	--
J- Total Net Technical Income (C+F+I)		**2,528,252**	**10,718,678**
K- Investment Income		**139,908,159**	**114,774,966**
1- Income from Financial Assets	4.2	85,167,377	73,775,818
2- Income from Disposal of Financial Assets	4.2	30,235,052	11,771,610
3- Valuation of Financial Assets	4.2	(2,715,810)	(6,225,984)
4- Foreign Exchange Gains	4.2	14,784,524	20,774,871
5- Income from Associates	4.2	--	--
6- Income from Subsidiaries and Joint Ventures	4.2	347,307	1,925
7- Income from Property, Plant and Equipment	7	11,853,524	10,331,531
8- Income from Derivative Transactions	4.2	236,185	4,345,195
9- Other Investments		--	--
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(136,665,567)**	**(90,248,876)**
1- Investment Management Expenses (inc. interest)	4.2	(277,185)	(1,472,447)
2- Diminution in Value of Investments		--	--
3- Loss from Disposal of Financial Assets	4.2	(9,871,181)	(9,840,257)
4- Investment Income Transferred to Non-Life Technical Section		(111,330,054)	(63,118,469)
5- Loss from Derivative Transactions	4.2	(97,745)	(6,400,095)
6- Foreign Exchange Losses	4.2	(6,885,399)	(2,578,350)
7- Depreciation and Amortization Expenses	6,8	(2,127,443)	(2,137,359)
8- Other Investment Expenses		(6,076,560)	(4,701,899)
M- Income and Expenses From Other and Extraordinary Operations		**5,283,828**	**(12,605,854)**
1- Provisions	47	4,352,561	(6,780,407)
2- Rediscounts	47	340,606	26,996
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	2,064,884	--
6- Deferred Taxation (Deferred Tax Liabilities)	35	--	(6,036,785)
7- Other Income		145,797	214,969
8- Other Expenses and Losses		(1,620,020)	(30,627)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		**11,054,672**	**22,638,914**
1- Profit for the Year		11,054,672	22,638,914
2- Corporate Tax Provision and Other Fiscal Liabilities	35	--	--
3- Net Profit for the Year		11,054,672	22,638,914
4- Monetary Gains and Losses		--	--

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Changes in Equity
For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

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	15	--	--	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	**15**	**615,000,000**	**--**	**25,630,918**	**--**

Audited Changes in Equity - 31 December 2014

	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 2013		**615,000,000**	--	**25,630,918**	**--**
A- Capital increase (A1+A2)		45,000,000	--	--	--
1- In cash		--	--	--	--
2- From reserves		*45,000,000*	--	--	--
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	15	--	--	42,623,127	--
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 2014	**15**	**660,000,000**	**--**	**68,254,045**	**--**

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**

Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
(9,246,073)	**49,622,694**	**39,500,000**	**5,247,629**	**22,638,914**	**(46,388,171)**	**702,005,911**
--	--	(39,500,000)	(5,500,000)	--	--	--
--	--	--	--	--	--	--
--	--	*(39,500,000)*	*(5,500,000)*	--	--	--
--	--	--	--	--	--	--
--	--	--	(20,308)	--	--	**(20,308)**
--	--	--	--	--	--	**42,623,127**
(2,661,609)	--	--	--	--	--	**(2,661,609)**
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	11,054,672	--	**11,054,672**
--	--	--	--	(22,638,914)	22,638,914	--
--	--	--	--	--	--	--
(11,907,682)	**49,622,694**	**--**	**(272,679)**	**11,054,672**	**(23,749,257)**	**753,001,793**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Cash Flows
For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A. Cash flows from operating activities			
1. Cash provided from insurance activities		--	--
2. Cash provided from reinsurance activities		1,033,473,414	1,030,841,405
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		--	--
5. Cash used in reinsurance activities		(1,034,790,926)	(1,034,647,744)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		**(1,317,512)**	**(3,806,339)**
8. Interest paid		--	--
9. Income taxes paid		--	--
10. Other cash inflows		4,639,218	3,859,050
11. Other cash outflows		(5,776,167)	(5,473,691)
12. Net cash provided from operating activities		**(2,454,461)**	**(5,420,980)**
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		238	--
2. Acquisition of tangible assets	6, 8	(1,355,124)	(184,858)
3. Acquisition of financial assets	11	(739,648,087)	(517,714,382)
4. Proceeds from disposal of financial assets	11	783,167,936	371,081,965
5. Interests received		81,124,940	60,568,198
6. Dividends received		2,347,202	4,288,955
7. Other cash inflows		30,277,501	266,396,761
8. Other cash outflows		(10,348,530)	(20,858,090)
9. Net cash provided by/(used in) investing activities		**145,566,076**	**163,578,549**
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		**(124)**	**2,018**
E. Net increase/(decrease) in cash and cash equivalents		**143,111,491**	**158,159,587**
F. Cash and cash equivalents at the beginning of the year	**14**	**517,022,336**	**358,862,749**
G. Cash and cash equivalents at the end of the year	**14**	**660,133,827**	**517,022,336**

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014 (*)	Audited Prior Period 31 December 2013
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT		11,054,672	22,638,914
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)		**11,054,672**	**22,638,914**
1.3. ACCUMULATED LOSSES (-)		(23,749,257)	(46,388,171)
1.4. FIRST LEGAL RESERVES (-)		--	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**(12,694,585)**	**(23,749,257)**
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 2014 and 2013, 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 2014

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

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 2014	31 December 2013
Senior managers	6	6
Managers	20	19
Officers	120	120
Contracted personnel	7	8
Other personnel	48	50
Total	**201**	**203**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2014, 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 4,495,282 (31 December 2013: TL 4,527,575).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014, 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 2013 and nine-month results as at and for the period ended 30 September 2014 and accordingly related balance sheet balances as at 31 December 2014 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014, 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 2014. 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 2012, the Company has calculated ACML reserve for General Losses main branch as two seperate 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 2014, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

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 2014 and 2013.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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.

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 2014, 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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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.

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 assets

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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 and 2013, the share capital and ownership structure of the Company are as follows:

	31 December 2014		31 December 2013	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	505,810,925	76,64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10,54	64,840,594	10.54
Groupama Emeklilik AŞ	38,809,894	5,88	36,163,765	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (*)	22,240,456	3,37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2,49	15,310,652	2.49
Others	7,122,753	1,08	6,637,111	1.08
Paid in capital	**660,000,000**	**100,00**	**615,000,000**	**100.00**

(*) All equity shares nominal valued TL 22,240,456 (31 December 2013: TL 20,724,061) and at the rate of 3.37% owned by T.C. Başbakanlık Hazine Müsteşarlığı has been transferred to T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı and recorded to share ledger as of 24 March 2014 in accordance with the Board of Directors decision dated 24 March 2014 and numbered 1204.

Sources of the capital increases during the year

Increase date	**Increase amount**	**Cash**	**Reserves**
7 April 2014	45,000,000	--	45,000,000

By the decision taken at Ordinary Meeting of the General Assembly conducted on 26 March 2014, issued capital of the Company amounted to TL 615,000,000 has been increased by total TL 45,000,000. TL 39,500,000 of this amount is from reserves by statues and TL 5,500,000 is from extra reserves. The registration of the increase has been completed as of 7 April 2014.

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.

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".

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 the 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.

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 2014, the Company has deductible tax losses, amounting to TL 69,844,562 (31 December 2013: TL 95,828,488).

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 Gazzette 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 Gazzette 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.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 is TL 3,438 (31 December 2013: TL 3,254).

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
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 payrolls.

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 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013, 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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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.

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.

Branches	31 December 2014	31 December 2013
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	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 9/2014)	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 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Guarantee	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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, guarantee, 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.

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 2014, 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 73,634,948 (31 December 2013: TL 3,945,150negative IBNR) as provision for outstanding claims. As at the reporting date, TL 38,202,017 (31 December 2013: TL 30,299,954) 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 2014

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

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 41,148,829in the accompanying unconsolidated financial statements (31 December 2013: TL 5,895,886).

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 22,504,145 (31 December 2013: TL 21,791,287).

As at 31 December 2014, the Company has deducted TL 19,975,104 (31 December 2013: TL 16,738,936) from equalization provision in consequence of realized earthquake losses.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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

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 2014.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 2018. 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. The Company is appreciating the effects of the standard on the financial position and performance.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 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

Note 23 - Other liabilities and cost provisions

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.

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 Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	222,265,164	(7,135,888)	215,129,276
General losses	169,420,036	(2,133,697)	167,286,339
Motor vehicles liability (MTPL)	68,451,348	(88,493)	68,362,855
Water vehicles	27,969,012	(1,203,274)	26,765,738
General responsibility	24,313,984	(1,753,858)	22,560,126
Transportation	20,861,102	(3,017,852)	17,843,250
Health	18,655,171	59	18,655,230
Accident	15,343,854	(683,063)	14,660,791
Motor vehicles	12,297,273	(124,928)	12,172,345
Life	10,861,957	(4,060,205)	6,801,752
Credit	372,275	--	372,275
Guarantee	367,178	(24,632)	342,546
Air crafts	192,391	--	192,391
Financial Losses	100,518	--	100,518
Water vehicles liability	52,940	--	52,940
Legal protection	484	(45)	439
Total	**591,524,687**	**(20,225,876)**	**571,298,811**

	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	43,757,542	(33,194)	43,724,348
Motor vehicles liability (MTPL)	65,218,442	(61,945)	65,156,497
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
General responsibility	13,755,012	(634,021)	13,120,991
Accident	13,214,751	(359,033)	12,855,718
Life	6,641,402	(44,858)	6,596,544
Guarantee	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**

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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.

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 2014	**31 December 2013**
Cash and cash equivalents *(Note 14)* (*)	742,177,130	603,569,750
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	392,171,211	417,181,634
Receivables from main operations *(Note 12)*	177,242,782	185,157,785
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	16,271,938	12,681,856
Prepaid taxes and funds *(Note 12)*	8,759,639	8,019,284
Income accruals	18,383,498	14,730,323
Other receivables *(Note 12)*	406,631	128,059
Other current asset *(Note 12)*	2,042	2,046
Total	**1,355,414,871**	**1,241,470,737**

(*) Cash on hands balance amounting to TL 16,329 are not included (31 December 2013: TL 13,024).
(**) Equity shares amounting to TL 98,057,510 are not included (31 December 2013: TL 80,066,465).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

31 December 2014 and 2013, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2014		31 December 2013	
	Gross amount	**Provision**	**Gross amount**	**Provision**
Not past due	110,377,761	--	138,434,104	--
Past due 0-30 days	27,463,748	--	25,620,451	--
Past due 31-60 days	3,788,459	--	4,261,497	--
Past due 61-90 days	9,245,173	--	6,825,834	--
More than 90 days	38,072,752	(11,705,111)	20,933,246	(10,917,347)
Total	**188,947,893**	**(11,705,111)**	**196,075,132**	**(10,917,347)**

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

	31 December 2014	31 December 2013
Provision for receivables from insurance operations at the beginning of the year	10,917,347	9,375,964
Collections during the period *(Note 47)*	(6,074)	--
Foreign currency translation effect *(Note 47)*	793,838	1,541,383
Provision for receivables from insurance operations at the end of the year	**11,705,111**	**10,917,347**

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

	31 December 2014	31 December 2013
Provision for other receivables at the beginning of the year	63,177	232,377
Collections during the period *(Note 47)*	--	(177,160)
Impairment losses provided during the period *(Note 47)*	--	7,960
Provision for other receivables at the end of the year	**63,177**	**63,177**

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014	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	742,193,459	197,081,321	484,662,026	35,093,224	25,356,888	--
Financial assets (*)	392,171,211	139,109,421	19,864,697	6,912,959	18,824,946	207,459,188
Receivables from main operations	177,242,782	93,184,405	22,971,439	11,275,299	49,811,639	--
Other receivables and current assets	27,551,810	27,276,803	--	--	275,007	--
Total monetary assets	**1,339,159,262**	**456,651,950**	**527,498,162**	**53,281,482**	**94,268,480**	**207,459,188**
Insurance technical provisions (**)	740,259,401	--	--	--	--	740,259,401
Payables arising from main operations	43,148,405	39,311,514	3,836,891	--	--	--
Provisions for other risks and expense accruals	40,628,738	6,493,459	--	--	--	34,135,279
Other liabilities	439,815	439,815	--	--	--	--
Provisions for taxes and other similar obligations	1,393,094	1,393,094	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	**825,950,941**	**47,719,370**	**3,836,891**	**--**	**--**	**774,394,680**

(*) Equity shares amounting to TL 98,057,510 are not included.

(**) Provision for outstanding claims not subject to consistent distribution is presented in the "over 1 year" column.

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	--	--	--	--
Provisions for taxes and other similar obligations	1,156,680	1,156,680	--	--	--	--
Due to related parties	86,156	86,156	--	--	--	--
Total monetary liabilities	**766,549,030**	**34,151,680**	**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 2014

(Currency: Turkish Lira (TL))

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

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 2014	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	146,388,291	3,485,864	3,102,689	152,976,844
Receivables from main operations	31,192,311	16,285,955	92,725,689	140,203,955
Total foreign currency assets	**177,580,602**	**19,771,819**	**95,828,378**	**293,180,799**
Liabilities:				
Payables arising from main operations	(15,063,188)	(6,097,111)	(3,677,675)	(24,837,974)
Insurance technical provisions (*)	(110,534,577)	(90,414,526)	(90,500,377)	(291,449,480)
Total foreign currency liabilities	**(125,597,765)**	**(96,511,637)**	**(94,178,052)**	**(316,287,454)**
Net on-balance sheet position	**51,982,837**	**(76,739,818)**	**1,650,326**	**(23,106,655)**

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)**

(*) 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014	2.3189	2.8207	2.1876	2.9061
31 December 2013	2.1343	2.9365	1.9008	2.5247

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2014 and 2013would 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 2014		31 December 2013	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	5,198,284	5,198,284	1,428,052	1,428,052
Euro	(7,673,982)	(7,673,982)	(4,209,328)	(4,209,328)
Others	165,033	165,033	(877,453)	(877,453)
Total, net	**(2,310,665)**	**(2,310,665)**	**(3,658,729)**	**(3,658,729)**

(*) 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 Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2014	**31 December 2013**
Financial assets with fixed interest rates:	***926,323,734***	***844,658,993***
Cash at banks *(Note 14)*	736,573,600	597,468,011
Available for sale financial assets - Government bonds - TL *(Note 11)*	171,980,488	230,024,992
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	17,769,646	9,094,020
Financial assets held for trading - Eurobonds *(Note 11)*	--	6,396,988
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	--	1,674,982
Financial assets with variable interest rate:	***63,311,656***	***84,621,112***
Available for sale financial assets - Government bonds- TL *(Note 11)*	7,600,154	38,266,949
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	50,638,385	34,826,959
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	5,073,117	11,527,204
Financial liabilities:	None.	None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 and 2013 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 and 2013. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(24,576)	12,785	(24,576)	12,785
Available for sale financial assets	--	--	(4,479,247)	4,474,742
Total, net	**(24,576)**	**12,785**	**(4,503,823)**	**4,487,527**

	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**

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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets held for trading *(Note 11)*	5,952,187	--	--	5,952,187
Available for sale financial assets *(Note 11)* (*)	473,205,689	6,533,319	--	479,739,008
Subsidiaries *(Note 9)* (**)	406,901,150	--	--	406,901,150
Total financial assets	**886,059,026**	**6,533,319**	**--**	**892,592,345**

(*) As at 31 December 2014, securities that are not publicly traded amounting to TL 4,537,526have been measured at cost.
(**) As at 31 December 2014, subsidiaries that are not publicly traded amounting to TL 1,092,707 have been measured at cost.

	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.

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 2014 and 2013.

	Change in index	**31 December 2014**	**31 December 2013**
Market price of equity	10%	49,954,206	45,572,770

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 2014 and 2013.

	Change in index	**31 December 2014**	**31 December 2013**
Market price of equity	10%	87,907	90,846

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	**31 December 2014**	**31 December 2013**
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(7,131,785)	1,974,743
Interest income from bank deposits	58,414,660	40,231,034
Interest income from debt securities classified as available-for-sale financial assets	36,092,465	21,159,004
Income from equity shares	8,081,920	15,809,199
Foreign exchange gains	14,784,524	20,774,871
Interest income from debt securities classified as held for trading financial assets	2,356,733	1,271,828
Income from investment funds	13,578,942	(1,697,923)
Interest income from repos	1,293,630	573,560
Income from derivative transactions	236,185	4,345,194
Income from subsidiaries	347,307	1,925
Other	54	--
Investment income	**128,054,635**	**104,443,435**
Loss from derivative transactions	(97,745)	(6,400,095)
Foreign exchange losses	(6,885,399)	(2,578,350)
Loss from disposal of financial assets	(9,871,181)	(9,840,257)
Investment management expenses (including interest)	(277,185)	(1,472,447)
Investment expenses	**(17,131,510)**	**(20,291,149)**
Investment income, net	**110,923,125**	**84,152,286**

Gains and losses recognized in the statement of equity, net:	**31 December 2014**	**31 December 2013**
Fair value changes in available for sale financial assets *(Note 15)*	35,491,342	28,866,361
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	7,131,785	(1,974,743)
Total	**42,623,127**	**26,891,618**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 286,515,145 as at 31 December 2014 (31 December 2013: TL 254,861,165). As at 31 December 2014and 2013, the capital amount of the Company presented in the unconsolidated financial statements are TL 753,001,793and TL702,005,911 respectively and capital surplus of the Company is amounting to TL 202,440,687 according to the communiqué.

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 2014, 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 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effect (*)	Disposals	31 December 2014
Cost:					
Investment properties *(Note 7)*	41,342,839	--	--	--	41,342,839
Owner occupied properties	31,392,945	569,637	--	--	31,962,582
Furniture and fixtures	3,540,753	606,104	26,967	(248,090)	3,925,734
Motor vehicles	1,278,823	--	33,387	--	1,312,210
	77,555,360	**1,175,741**	**60,354**	**(248,090)**	**78,543,365**
Accumulated depreciation:					
Investment properties *(Note 7)*	18,711,842	826,855	--	--	19,538,697
Owner occupied properties	12,565,779	629,446	--	--	13,195,225
Furniture and fixtures	2,444,180	377,455	26,348	(245,441)	2,602,542
Motor vehicles	839,041	194,750	16,991	--	1,050,782
	34,560,842	**2,028,506**	**43,339**	**(245,441)**	**36,387,246**
Carrying amounts	**42,994,518**				**42,156,119**

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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.

There is not any change in depreciation method in the current period.

There is not any revaluation on tangible assets.

As at 31 December 2014 and 2013, carrying amount and fair value of the Company's operating center building located in Nişantaşı amounting to TL 18,767,357 and TL 18,827,166; respectively. As at 31 December 2014, fair value of building is amounting to TL 86,709,932 according to expert report.

7 Investment properties

As at 31 December 2014, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 41,342,839 (31 December 2013: TL 41,342,839) and TL 21,804,142 (31 December 2013: TL 22,630,997), respectively.

As at 31 December 2014 and 2013, details of investment properties and the fair values are as follows:

	31 December 2014 Carrying amount	31 December 2013 Carrying amount	Date of expertise report	Value of expertise report
Villa Office Block	666,943	704,041	31 December 2014	19,316,437
Suadiye Fitness Center	3,653,842	3,829,252	31 December 2014	13,055,407
Tunaman Garage	1,625,226	1,692,481	31 December 2014	63,676,994
Operating Center Rental Offices	15,858,131	16,405,223	31 December 2014	98,315,099
Carrying amounts	**21,804,142**	**22,630,997**		**194,363,937**

The fair values of the investment properties are determined by a third party independent expertise firm authorized by Capital Markets Board of Turkey. For the year ended 31 December 2014, the Company has rental income from investment properties amounting to TL 11,853,524 (31 December 2013: TL 10,331,531).

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effects (*)	Disposal	31 December 2014
Cost:					
Other intangible assets	2,373,390	179,383	113,258	--	2,666,031
	2,373,390	**179,383**	**113,258**	**--**	**2,666,031**
Accumulated amortization:					
Other intangible assets	1,667,591	98,937	113,115	--	1,879,643
	1,667,591	**98,937**	**113,115**	**--**	**1,879,643**
Carrying amounts	**705,799**				**786,388**

(*) Foreign currency translation effect resulted from Singapore Branch.

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.

9 Investments in associates

	31 December 2014		31 December 2013	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Sigorta	406,901,150	57.31	381,111,641	57.31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi (*)	1,092,707	77.00	746,207	77.00
Subsidiaries, net	**407,993,857**		**381,857,848**	
Financial asset total	**407,993,857**		**381,857,848**	

(*) The shares of the Company owned by Miltaş Turizm İnşaat Ticaret Anonim Şirketi has been increased from TL 746,207 to TL 1,092,707as a result of the capital increase by bonus issue in April 2014 amounted to TL 450,000.

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	4,126,515	3,754,027	--	111,405	Not audited	31 December 2014
Anadolu Sigorta (*)	3,505,252,496	751,694,923	13,386,018	74,592,102	Audited	31 December 2014

(*) Consolidated financial information as at 31 December 2014 of Anadolu Sigorta has been presented.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

10 Reinsurance asset and liabilities

As at 31 December 2014 and 2013, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	**31 December 2014**	**31 December 2013**
Cash deposited to reinsurance companies	18,999,668	19,096,456
Provision for outstanding claims, ceded *(Note 4.2)*, *(Note 17)*	16,271,938	12,681,856
Receivables from reinsurance companies *(Note 12)*	17,756,749	16,218,921
Reserve for unearned premiums, ceded *(Note 17)*	7,038,046	6,368,822
Total	**60,066,401**	**54,366,055**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	**31 December 2014**	**31 December 2013**
Deferred commission income *(Note 19)*	445,382	372,409
Total	**445,382**	**372,409**

Gains and losses recognized in the statement of income in accordance with existing retrocedant contracts are as follows:

	31 December 2014	**31 December 2013**
Premiums ceded during the period *(Note 17)*	(134,715,463)	(126,125,413)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(6,368,822)	(6,304,078)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	7,038,046	6,368,822
Premiums earned, ceded *(Note 17)*	**(134,046,239)**	**(126,060,669)**
Claims paid, ceded during the period *(Note 17)*	20,225,876	29,935,358
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(12,681,856)	(30,957,945)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	16,271,938	12,681,856
Claims incurred, ceded *(Note 17)*	**23,815,958**	**11,659,269**
Commission income accrued from reinsurers during the period *(Note 32)*	1,353,839	1,490,245
Deferred commission income at the beginning of the period *(Note 19)*	372,409	934,576
Deferred commission income at the end of the period *(Note 19)*	(445,382)	(372,409)
Commission income earned from reinsurers *(Note 32)*	**1,280,866**	**2,052,412**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**1,167,147**	**322**
Total, net	**(107,782,269)**	**(112,348,666)**

11 Financial assets

As at 31 December 2014 and 2013, the Company's financial assets are detailed as follows:

	31 December 2014	**31 December 2013**
Financial assets held for trading	5,952,187	30,273,915
Available for sale financial assets	484,276,534	466,974,184
Total	**490,228,721**	**497,248,099**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014 and 2013, the Company's financial assets held for trading are detailed as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Private sector bonds - TL	4,990,000	4,991,033	5,073,117	5,073,117
		4,991,033	**5,073,117**	**5,073,117**
Non-fixed income financial assets:				
Equity shares		1,946,821	879,070	879,070
		1,946,821	**879,070**	**879,070**
Total financial assets held for trading		**6,937,854**	**5,952,187**	**5,952,187**

	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 - TL		--	--	--
Investment funds - 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**

As at 31 December 2014 and 2013, the Company's available for sale financial assets are as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds - TL	171,362,688	175,256,514	179,580,642	179,580,642
Private sector bonds - TL	67,473,900	67,051,039	68,408,031	68,408,031
		242,307,553	**247,988,673**	**247,988,673**
Non-fixed income financial assets:				
Equity shares		56,887,745	97,178,440	97,178,440
Investment funds		137,985,799	139,109,421	139,109,421
		194,873,544	**236,287,861**	**236,287,861**
Total available-for-sale financial assets		**437,181,097**	**484,276,534**	**484,276,534**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

	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:		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**

All debt instruments presented above are traded in the capital markets. As at 31 December 2014, equity shares classified as available for sale financial assets with a carrying amount of TL 4,537,526are not publicly traded (31 December 2013: TL 4,541,942).

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.

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**
2014	42,623,127	68,254,045
2013	26,891,618	25,630,918
2012	111,001,156	(1,260,700)

Details of the financial assets issued by related parties of the Company's are as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets - Private sector bonds	16,070,000	15,615,900	15,993,282	15,993,282
Available for sale financial assets - Investment funds		121,133,025	122,175,977	122,175,977
Available for sale financial assets - Equity shares		44,247,271	84,666,975	84,666,975
Total		**180,996,196**	**222,836,234**	**222,836,234**

	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**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014 and 2013, the movement of the financial assets is presented below:

	31 December 2014		
	Trading	**Available-for-sale**	**Total**
Balance at the beginning of the period	**30,273,915**	**466,974,184**	**497,248,099**
Unrealized exchange differences on financial assets	--	--	--
Acquisitions during the period	--	739,648,087	739,648,087
Disposals (sale and redemption)	(17,938,914)	(765,229,022)	(783,167,936)
Change in the fair value of financial assets	(6,382,814)	8,720,733	2,337,919
Change in amortized cost of the financial assets	--	29,699,042	29,699,042
Bonus shares acquired	--	4,463,510	4,463,510
Balance at the end of the period	**5,952,187**	**484,276,534**	**490,228,721**

	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**

12 Loans and receivables

	31 December 2014	**31 December 2013**
Receivables from main operations *(Note 4.2)*	177,242,782	185,157,785
Prepaid taxes and funds *(Note 19)*	8,759,639	8,019,284
Other receivables *(Note 4.2)*	406,631	128,059
Other current asset	2,042	2,046
Total	**186,411,094**	**193,307,174**
Short-term receivables	186,411,094	193,307,174
Medium and long-term receivables	--	--
Total	**186,411,094**	**193,307,174**

As at 31 December 2014 and 2013, receivables from main operations are detailed as follows:

	31 December 2014	**31 December 2013**
Receivables from insurance companies	49,936,460	49,529,434
Receivables from agencies, brokers and intermediaries	48,417,338	39,071,853
Receivables from reinsurance companies *(Note 10)*	17,756,749	16,218,921
Total receivables from insurance operations, net	**116,110,547**	**104,820,208**
Cash deposited to insurance and reinsurance companies	61,132,235	80,337,577
Doubtful receivables from main operations	11,705,111	10,917,347
Provision for doubtful receivables from main operations	(11,705,111)	(10,917,347)
Receivables from main operations	**177,242,782**	**185,157,785**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements
As at 31 December 2014

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

As at 31 December 2014 and 2013, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2014	31 December 2013
Letters of guarantees	5,586,771	4,547,054
Mortgage notes	2,041	2,041
Total	**5,588,812**	**4,549,095**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 11,705,111 for main operations (31 December 2013: TL 10,917,347) and TL 63,177 (31 December 2013: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2013: 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 2014 and 2013, the Company does not have derivative financial instruments.

14 Cash and cash equivalents

As at 31 December 2014 and 2013, cash and cash equivalents are as follows:

	31 December 2014		31 December 2013	
	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	16,329	13,024	13,024	24,735
Bank deposits	742,177,130	603,569,750	603,569,750	677,202,128
Cash and cash equivalents in the balance sheet	**742,193,459**	**603,582,774**	**603,582,774**	**677,226,863**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(79,404,377)	(85,071,502)	(85,071,502)	(316,005,626)
Interest accruals on bank deposits	(2,654,755)	(1,488,436)	(1,488,436)	(2,357,988)
Cash and cash equivalents presented in the statement of cash flows	**660,133,827**	**517,022,336**	**517,022,336**	**358,862,749**

As at 31 December 2014 and 2013, bank deposits are further analyzed as follows:

	31 December 2014	31 December 2013
Foreign currency denominated bank deposits		
- time deposits	147,378,170	107,411,745
- demand deposits	5,597,504	6,085,663
Bank deposits in Turkish Lira		
- time deposits	589,195,430	490,056,266
- demand deposits	6,026	16,076
Cash at banks	**742,177,130**	**603,569,750**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014 and 2013, the shareholding structure of the Company is presented below:

	31 December 2014		31 December 2013	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	505,810,925	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	36,163,765	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (*)	22,240,456	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	15,310,652	2.49
Other	7,122,753	1.08	6,637,111	1.08
Paid in capital	**660,000,000**	**100.00**	**615,000,000**	**100.00**

(*) All equity shares nominal valued TL 22,240,456 (31 December 2013: TL 20,724,061) and at the rate of 3.37% owned by T.C. Başbakanlık Hazine Müsteşarlığı has been transferred to T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı and recorded to share ledger as of 24 March 2014 in accordance with the Board of Directors decision dated 24 March 2014 and numbered 1204.

As at 31 December 2014, the issued share capital of the Company is TL 660,000,000 (31 December 2013: TL 615,000,000) and the share capital of the Company consists of 66.000.000.000 (31 December 2013: 61.500.000.000shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Company.

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 2014	31 December 2013
Legal reserves at the beginning of the period	**49,622,694**	**49,622,694**
Transfer from profit	--	--
Legal reserves at the end of the period	**49,622,694**	**49,622,694**

As at 31 December 2014 and 2013, "Other Reserves and Retained Earnings" includes only extraordinary reserves.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2014	31 December 2013
Extraordinary reserves at the beginning of the period	**5,512,899**	**5,512,899**
Amount for capital increase	(5,500,000)	--
Extraordinary reserves at the end of the period	**12,899**	**5,512,899**

Other capital reserves

As of 31 December 2014, in accordance with the revision of TAS TL (285,578) (31 December 2013: 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 2014	31 December 2013
Other profit reserves at the beginning of the period	**(265,270)**	--
Actuarial gains/losses	(20,308)	(265,270)
Other profit reserves at the end of the period	**(285,578)**	**(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 2014, total amount of statutory reserves allocated as mentioned method is TL 39,500,000 (31 December 2013: TL 39,500,000). The registration of the increase has been completed as of 7 April 2014.

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 2014, foreign currency translation loss amounting to TL 11,907,682 (31 December 2013: TL 9,246,073 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2014 and 2013, movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2014	31 December 2013
Fair value reserves at the beginning of the period	**25,630,918**	**(1,260,700)**
Change in the fair value during the period *(Note 4.2)*	41,063,988	34,780,063
Deferred tax effect *(Note 4.2)*	(4,146,289)	(6,308,651)
Net gains transferred to the statement of income *(Note 4.2)*	7,131,785	(1,974,743)
Deferred tax effect *(Note 4.2)*	(1,426,357)	394,949
Fair value reserves at the end of the period	**68,254,045**	**25,630,918**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

16 Other reserves and equity component of DPF

As at 31 December 2014 and 2013, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2014 and 2013, 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 2014 and 2013, technical reserves of the Company are as follows:

	31 December 2014	31 December 2013
Reserve for unearned premiums, gross	366,997,830	356,231,478
Reserve for unearned premiums, ceded *(Note 10)*	(7,038,046)	(6,368,822)
Reserves for unearned premiums, net	**359,959,784**	**349,862,656**
Provision for outstanding claims, gross	756,531,339	691,389,592
Provision for outstanding claims, ceded *(Note 10)*	(16,271,938)	(12,681,856)
Provision for outstanding claims, net	**740,259,401**	**678,707,736**
Reserve for unexpired risks, gross	42,316,553	5,896,463
Reserve for unexpired risks, ceded *(Note 10)*	(1,167,724)	(577)
Reserve for unexpired risks, net	**41,148,829**	**5,895,886**
Equalization provision, net	**22,504,145**	**21,791,287**
Life mathematical provisions	**368,342**	**641,636**
Total technical provisions, net	**1,164,240,501**	**1,056,899,201**
Short-term	1,141,736,356	1,035,107,914
Medium and long-term	22,504,145	21,791,287
Total technical provisions, net	**1,164,240,501**	**1,056,899,201**

As at 31 December 2014 and 2013, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2014		
Reserve for unearned premiums	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	356,231,478	(6,368,822)	349,862,656
Premiums written during the period	957,821,365	(134,715,463)	823,105,902
Premiums earned during the period	(947,055,013)	134,046,239	(813,008,774)
Reserve for unearned premiums at the end of the period	**366,997,830**	**(7,038,046)**	**359,959,784**

	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**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

	31 December 2014		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	691,389,592	(12,681,856)	678,707,736
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	656,666,434	(23,815,958)	632,850,476
Claims paid during the period	(591,524,687)	20,225,876	(571,298,811)
Provision for outstanding claims at the end of the period	**756,531,339**	**(16,271,938)**	**740,259,401**

	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**

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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014, short-term deferred expenses amounting to TL 92,115,629 (31 December 2013: TL 87,498,692) totally consist of deferred commission expenses.

As at 31 December 2014 and 2013, the movement of deferred commission expenses is presented below:

	31 December 2014	**31 December 2013**
Deferred commission expenses at the beginning of the period	87,498,692	102,260,739
Commissions accrued during the period *(Note 32)*	222,705,718	211,953,982
Commissions expensed during the period *(Note 32)*	(218,088,781)	(226,716,029)
Deferred commission expenses at the end of the period	**92,115,629**	**87,498,692**

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2014	**31 December 2013**
Payables arising from reinsurance operations	43,148,405	41,083,420
Short/long term deferred income and expense accruals	7,206,118	3,519,550
Taxes and other liabilities and similar obligations	1,393,094	1,156,680
Due to related parties *(Note 45)*	81,488	86,156
Other payables	439,815	312,611
Total	**52,268,920**	**46,158,417**
Short-term liabilities	52,176,837	46,158,417
Long-term liabilities	92,083	--
Total	**52,268,920**	**46,158,417**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

As at 31 December 2014 and 2013, 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 445,382 (31 December 2013: TL 372,409).

As at 31 December 2014, TL 6,493,459 (31 December 2013: TL 3,042,211) of short/long term deferred income and expense accruals is composed by mainly personnel premium and profit distribution accruals.

	31 December 2014	31 December 2013
Provision for assessment	2,910,801	--
Dividend accrual	1,637,335	1,558,000
Bonus accrual	837,981	826,613
Other accruals	1,107,342	657,598
Total	**6,493,459**	**3,042,211**

Prepaid income and expense accruals are TL 175,194 (31 December 2013: TL 104,930) consist of long-term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2014	31 December 2013
Taxes paid during the year	(8,759,639)	(8,019,284)
Corporate tax liabilities	--	--
Prepaid assets, net *(Note 12)*	**(8,759,639)**	**(8,019,284)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

None (31 December 2013: None).

21 Deferred taxes

As at 31 December 2014and 2013, deferred tax assets and liabilities are attributable to the following:

	31 December 2014	31 December 2013
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Deferred tax effect of current period tax losses	13,968,912	19,165,698
Provision for the pension fund deficits	5,666,145	7,263,205
Income accruals	(3,676,700)	(2,946,065)
Valuation differences in subsidiaries	(3,457,519)	(1,721,655)
Reserve for unexpired risks	8,229,766	1,179,024
Provisions for employee termination benefits	1,160,911	1,168,838
Equalization provision	351,529	360,459
Provision for doubtful receivables	299,505	277,378
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(224,009)	(225,983)
Valuation differences in financial assets	127,730	216,935
Discount of receivables and payables	(4,648)	(27,475)
Provision for assessment	192,409	--
Deferred tax assets, net	**22,634,031**	**24,710,359**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014, 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 2014	31 December 2013
31 December 2016	69,844,562	95,828,488
Deductible tax losses	**69,844,562**	**95,828,488**

Movement of deferred tax assets as at 31 December 2014 and 2013 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2014	31 December 2013
Opening balance at 1 January	**24,710,359**	**36,989,479**
Recognised in profit or loss	2,064,884	(6,036,785)
Recognised in equity	(4,141,212)	(6,242,335)
Closing balance at 31 December	**22,634,031**	**24,710,359**

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 Gazzette 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 Gazzette 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. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 28,330,725 (31 December 2013: TL 36,316,026) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

Because of the sale of real estate which included into fund properties on prior period, 'Provision for Pension Fund Deficits' balance has been decreased in current period.

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 2014 and 2013, technical deficit from pension funds comprised the following:

	31 December 2014	**31 December 2013**
Net present value of total liabilities other than health	(85,239,925)	(75,085,832)
Net present value of insurance premiums	15,749,955	14,130,474
Net present value of total liabilities other than health	**(69,489,970)**	**(60,955,358)**
Net present value of health liabilities	(9,900,232)	(12,130,190)
Net present value of health premiums	8,632,751	7,744,271
Net present value of health liabilities	**(1,267,481)**	**(4,385,919)**
Pension fund assets	**42,426,726**	**29,025,251**
Amount of actuarial and technical deficit	**(28,330,725)**	**(36,316,026)**

Plan assets are comprised of the following items:

	31 December 2014	**31 December2013**
Properties	--	18,270,000
Cash and cash equivalents	36,076,138	3,658,902
Associates	6,193,278	6,995,082
Securities portfolio	--	4,786
Other	157,310	96,481
Total plan assets	**42,426,726**	**29,025,251**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

23 Provision for other liabilities and charges

As at 31 December 2014 and 2013; the provisions for other risks are disclosed as follows:

	31 December 2014	31 December 2013
Provision for pension fund deficits *(Note 22)*	28,330,725	36,316,026
Provision for employee termination benefits	5,804,554	5,844,190
Total provision for other risks	**34,135,279**	**42,160,216**

Movement of provision for employee termination benefits during the period is presented below:

	31 December 2014	31 December 2013
Provision at the beginning of the period	5,844,190	5,323,213
Interest cost *(Note 47)*	410,561	385,213
Service cost *(Note 47)*	362,845	366,258
Payments during the period *(Note 47)*	(838,428)	(562,080)
Actuarial differences *(Note 47)*	25,386	331,586
Provision at the end of the period	**5,804,554**	**5,844,190**

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 2014		31 December 2013	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,801,752)	(564,497,059)	(6,596,545)	(582,397,637)
Changes in provision for outstanding claims, net off reinsurers' share	(943,204)	(60,608,461)	(407,807)	(59,294,904)
Changes in reserve for unearned premium, net off reinsurers' share	610,995	(10,708,123)	(389,342)	37,559,833
Changes in reserve for unexpired risks, net off reinsurers' share	--	(35,252,943)	--	(4,319,767)
Change in equalization provision, net off reinsurers' share	79,365	(792,223)	(265,425)	(3,262,513)
Change in life mathematical provisions, net off reinsurers' share	273,294	--	378,443	--
Total	**(6,781,302)**	**(671,858,809)**	**(7,280,676)**	**(611,714,988)**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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.

32 Operating expenses

For the years ended 31 December 2014 and 2013, the operating expenses are disclosed as follows:

	31 December 2014		31 December 2013	
	Life	Non life	Life	Non life
Commission expenses *(Note 17)*	7,617,519	210,471,262	9,126,591	217,589,438
Commissions to the intermediaries accrued during the period (Note 17)	*7,973,014*	*214,732,704*	*9,243,376*	*202,710,606*
Changes in deferred commission expenses (Note 17)	*(355,495)*	*(4,261,442)*	*(116,785)*	*14,878,832*
Employee benefit expenses *(Note 33)*	772,694	34,909,424	847,224	30,195,955
Foreign exchange losses	122,711	18,868,395	130,722	22,447,446
Administration expenses	162,680	7,952,930	20,922	7,541,137
Commission income from reinsurers *(Note 10)*	(161,755)	(1,119,111)	(66,285)	(1,986,127)
Commission income from reinsurers accrued during the period (Note 10)	*(173,576)*	*(1,180,263)*	*(88,165)*	*(1,402,080)*
Change in deferred commission income (Note 10)	*11,821*	*61,152*	*21,880*	*(584,047)*
Outsourced benefits and services	27,327	1,120,861	--	648,828
Other	(239,651)	8,482,094	5	7,794,530
Total	**8,301,525**	**280,685,855**	**10,059,179**	**284,231,207**

33 Employee benefit expenses

For the years ended 31 December 2014 and 2013, employee benefit expenses are disclosed as follows:

	31 December 2014		31 December 2013	
	Life	Non life	Life	Non life
Wages and salaries	522,125	23,701,423	543,890	22,167,861
Employer's share in social security premiums	168,276	6,902,123	87,881	4,890,202
Pension fund benefits	82,293	4,305,878	215,453	3,137,892
Total *(Note 32)*	**772,694**	**34,909,424**	**847,224**	**30,195,955**

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 2014	31 December 2013
Corporate tax expense:		
Corporate tax provision	--	--
Deferred taxes:		
Origination and reversal of temporary differences	2,064,884	(6,036,785)
Total Income tax expense/(Income)	**2,064,884**	**(6,036,785)**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

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 2014 and 2013 is as follows:

	31 December 2014		31 December 2013	
Profit before taxes	**8,989,788**	**Tax rate (%)**	**28,675,699**	**Tax rate (%)**
Taxes on income per statutory tax rate	1,797,958	20.00	5,735,140	20.00
Tax exempt income	(3,912,241)	(43.52)	(1,842,303)	(6.42)
Non-deductible expenses	49,399	0.55	2,143,948	7.48
Total tax expense recognized in profit or loss	**(2,064,884)**	**(22.97)**	**6,036,785**	**21.06**

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 2014	31 December 2013
Net profit for the period	11,054,672	22,638,914
Weighted average number of shares (*)	66,000,000,000	66,000,000,000
Earnings per share (TL)	0.00017	0.00034

(*) Capital increase performed with the internal sources and increase in number of shares is used for calculating the prior period's earnings per share.

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.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not 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 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from previous years.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements
As at 31 December 2014

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

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. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011. As of the report date, the Company has reserved provision amounted TL 2,910,801 for the payment orders received (31 December 2013: 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 2014**	**31 December 2013**
Within one year	707,413	354,413
Between two to five years	1,473,777	--
More than 5 years	--	--
Total of minimum rent payments	**2,181,190**	**354,413**

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Türkiye İş Bankası A.Ş.	301,073,001	424,898,538
Other	822	103
Banks	**301,073,823**	**424,898,641**
Equity shares of the related parties *(Note 11)*	84,666,975	71,280,097
Investment funds founded by İş GYO A.Ş. (*Note 11)*	1,623,247	--
Investment funds founded by İş Portföy Yönetimi A.Ş. (*Note 11)*	93,777,905	61,658,497
Investment funds founded by İş Yatırım Menkul Değerler A.Ş.*(Note 11)*	28,398,072	13,944,765
Bonds issued by İş Finansal Kiralama A.Ş.*(Note 11)*	4,539,735	5,405,505
Bonds issued by İşYatırım Menkul Değerler A.Ş. *(Note 11)*	9,830,300	--
Investment funds founded by İşbank GmbH *(Note 11)*	--	9,766,278
Financial assets	**222,836,234**	**162,055,142**
Axa Sigorta A.Ş.	7,655,182	7,348,938
Anadolu Sigorta	3,204,989	5,441,770
Groupama Sigorta A.Ş.	1,689,735	529,594
Ziraat Hayat ve Emeklilik	433,125	631,966
Anadolu Hayat Emeklilik A.Ş.	188,831	114,048
İstanbul Umum Sigorta A.Ş.	105,003	89,576
Ergo Sigorta A.Ş.	18,246	18,245
Allianz Sigorta A.Ş.	--	2,334,720
Ziraat Sigorta A.Ş.	--	914,258
Receivables from main operations	**13,295,111**	**17,423,115**
Due to shareholders	53,738	72,450
Due to other related parties	27,750	13,706
Due to related parties	**81,488**	**86,156**
Ergo Sigorta A.Ş.	3,619,529	6,290,123
Güven Sigorta T.A.Ş.	2,192,741	746,997
Allianz Sigorta A.Ş.	751,048	57,003
Ziraat Sigorta A.Ş.	352,262	52,740
Groupama Sigorta A.Ş.	60,224	41,830
Axa Sigorta A.Ş.	54,833	37,892
İstanbul Umum Sigorta A.Ş.	44,343	372
AvivaSa Emeklilik A.Ş.	--	--
Payables from main operations	**7,074,980**	**7,226,957**

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 2014

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

The transactions with related parties during the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Anadolu Sigorta	95,204,719	79,126,226
Axa Sigorta A.Ş.	43,051,681	40,679,330
Ergo Sigorta A.Ş.	17,563,499	29,752,319
Groupama Sigorta A.Ş.	12,215,432	20,126,753
Ziraat Sigorta A.Ş.	9,462,839	9,227,875
Güven Sigorta T.A.Ş.	2,048,792	6,668,139
Ziraat Hayat ve Emeklilik	1,949,018	2,236,068
Allianz Sigorta A.Ş.	1,001,533	777,148
Anadolu Hayat Emeklilik A.Ş.	859,473	147,535
AvivaSa Emeklilik A.Ş.	(382)	36
Premiums received	**183,356,604**	**188,741,429**
Anadolu Sigorta	185,578	199,994
Ergo Sigorta A.Ş.	10,111	12,818
Groupama Sigorta A.Ş.	7,992	3,615
Axa Sigorta A.Ş.	3,447	1,816
Güven Sigorta T.A.Ş.	1,359	591
Allianz Sigorta A.Ş.	90	18
İstanbul Umum A.Ş.	34	4
Premiums ceded	**208,611**	**218,856**
Axa Sigorta A.Ş.	399	(968)
İstanbul Umum A.Ş.	(2)	--
Allianz Sigorta A.Ş.	(4)	2
Güven Sigorta T.A.Ş.	(182)	(377)
Anadolu Sigorta	(267)	1,422
Ergo Sigorta A.Ş.	(330)	1,721
Groupama Sigorta A.Ş.	(2,839)	(2,096)
Commissions received	**(3,225)**	**(296)**
Anadolu Sigorta	21,022,017	12,937,882
Axa Sigorta A.Ş.	7,705,485	7,453,799
Ergo Sigorta A.Ş.	4,382,862	3,206,199
Ziraat Sigorta A.Ş.	2,259,787	1,584,204
Groupama Sigorta A.Ş.	1,968,242	1,569,297
Allianz Sigorta A.Ş.	1,812,204	7,208,680
Anadolu Hayat Emeklilik A.Ş.	263,521	293,709
Güven Sigorta T.A.Ş.	(1)	(16,700)
AvivaSa Emeklilik A.Ş.	(191)	116,677
Commissions given	**39,413,926**	**34,353,747**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

	31 December 2014	31 December 2013
Anadolu Sigorta	38,357,876	32,251,600
Axa Sigorta A.Ş.	28,775,974	5,083,342
Ergo Sigorta A.Ş.	16,418,632	18,813,359
Allianz Sigorta A.Ş.	12,458,213	29,923,899
Groupama Sigorta A.Ş.	9,570,599	10,687,045
Ziraat Sigorta A.Ş.	4,307,333	1,255,493
Ziraat Hayat ve Emeklilik	2,986,945	3,127,877
Güven Sigorta T.A.Ş.	735,576	1,447,702
Anadolu Hayat Emeklilik A.Ş.	100,216	125,444
AvivaSa Emeklilik A.Ş.	54,000	97,033
Claims paid	**113,765,364**	**102,812,794**
AnadoluSigorta	486,089	274,548
Groupama Sigorta A.Ş.	233,044	164,896
Ergo Sigorta A.Ş.	211,383	75,352
Axa Sigorta A.Ş.	133,552	118,737
Güven Sigorta T.A.Ş.	77,160	62,798
İstanbul Umum A.Ş.	16,835	15,759
Allianz Sigorta A.Ş.	14,241	12,111
Reinsurance's share of claims paid	**1,172,304**	**724,201**
Allianz Sigorta A.Ş.	370,011	136,473
Anadolu Sigorta	105,489	322,750
Groupama Sigorta A.Ş.	51,753	134,495
Ziraat Sigorta A.Ş.	6,349	24,875
Anadolu Hayat Emeklilik A.Ş.	823	2,869
AvivaSa Emeklilik A.Ş.	35	122
Ergo Sigorta A.Ş.	(47,895)	612,076
Axa Sigorta A.Ş.	(63,408)	1,422,610
Other income	**423,157**	**2,656,270**
Ergo Sigorta A.Ş.	353,710	323,749
Allianz Sigorta A.Ş.	209,265	82,705
Axa Sigorta A.Ş.	187,955	254,596
AnadoluSigorta	68,894	10,251
Groupama Sigorta A.Ş.	36,872	22,614
Ziraat Sigorta A.Ş.	7,444	5,750
Ziraat Hayat ve Emeklilik	7,229	2,331
Anadolu Hayat Emeklilik A.Ş.	4,060	465
Güven Sigorta T.A.Ş.	33	--
AvivaSa Emeklilik A.Ş.	5	16
Other expenses	**875,467**	**702,477**

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2014

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

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events*.

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 2014 and 2013, details of rediscount and provision expenses are as follows:

Provision expenses	**31 December 2014**	**31 December 2013**
Provision for pension fund deficits (**)	7,985,301	(5,220,631)
Assessment	(2,910,801)	--
Provision expenses for doubtful receivables (*)	(787,764)	(1,372,183)
Provision for employee termination benefits *(Note 23)*	65,023	(189,391)
Other	802	1,798
Provisions	**4,352,561**	**(6,780,407)**

(*) Provision income stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL (787,764).

(*) Capital increase performed with the internal sources and increase in number of shares is used for calculating the prior period's earnings per share. So that a revenue occurred.

	31 December 2014	**31 December 2013**
Rediscount income/(expense) from reinsurance receivables	929	1,350
Rediscount income/(expense) from reinsurance payables	339,677	25,646
Total of rediscounts	**340,606**	**26,996**

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 more than 2,400 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, and Finansbank branches are serving as Anadolu Sigorta agencies.

In 2014, Anadolu Sigorta expanded its total premium production by 9.28% year-on-year to TL 3 billion and controlled a 13.23% share of the overall market among non-life companies.

Anadolu Sigorta registered its highest premium production in the Motor Vehicles branch with TL 824 million, followed by Motor Vehicles Liability with TL 780 million in 2014. Trailing these two branches, in order, were Fire and Natural Disasters with TL 503 million, Illness/Health with TL 279 million, General Losses with TL 239 million, and General Liability with TL 105 million.

Total unconsolidated assets of Anadolu Sigorta were up 16% year-to-year and reached TL 3,773 million at year end 2014 while its shareholders' equity registered TL 1,020 million with 11.7% increase. Posting TL 92.6 million in unconsolidated gross profit, the Company successfully reached its target of 2014 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)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
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 2014 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 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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' Report

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 2014, 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.

Report on Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities, financial statements and group's financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

16 February 2015
İstanbul, Türkiye

Additional paragraph for convenience translation to English:

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Financial Statements
As at and for the Year Ended 31 December 2014

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2014 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, 16 February 2015

Şule SOYLU	Yıldırım Kemal ÇUHACI	Hasan Hulki YALÇIN	Ertan TAN
Group Manager	Assistant General Manager	General Manager	Actuary

Contents

		PAGE
CONSOLIDATED BALANCE SHEET		**168-172**
CONSOLIDATED STATEMENT OF INCOME		**173-175**
CONSOLIDATED STATEMENT OF CASH FLOWS		**176**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		**178**
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION		**179**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		**180-240**
NOTE 1	General information	180
NOTE 2	Summary of significant accounting policies	182
NOTE 3	Critical accounting estimates and judgments in applying accounting policies	200
NOTE 4	Management of insurance and financial risk	200
NOTE 5	Segment reporting	211
NOTE 6	Tangible assets	211
NOTE 7	Investment properties	212
NOTE 8	Intangible assets	213
NOTE 9	Investments in associates	213
NOTE 10	Reinsurance asset and liabilities	214
NOTE 11	Financial assets	215
NOTE 12	Loans and receivables	219
NOTE 13	Derivative financial assets	220
NOTE 14	Cash and cash equivalents	221
NOTE 15	Equity	221
NOTE 16	Other reserves and equity component of DPF	224
NOTE 17	Insurance contract liabilities and reinsurance assets	224
NOTE 18	Investment contract liabilities	227
NOTE 19	Trade and other payables and deferred income	228
NOTE 20	Financial liabilities	229
NOTE 21	Deferred taxes	229
NOTE 22	Retirement benefit obligations	230
NOTE 23	Provision for other liabilities and charges	231
NOTE 24	Net insurance premium	232
NOTE 25	Fee revenue	232
NOTE 26	Investment income	232
NOTE 27	Net income accrual on financial assets	232
NOTE 28	Asset held at fair value through profit or loss	232
NOTE 29	Insurance rights and claims	232
NOTE 30	Investment contract benefits	232
NOTE 31	Other expenses	232
NOTE 32	Operating expenses	233
NOTE 33	Employee benefit expenses	233
NOTE 34	Financial costs	233
NOTE 35	Income tax expense	234
NOTE 36	Net foreign exchange gains	234
NOTE 37	Earnings per share	234
NOTE 38	Dividends per share	235
NOTE 39	Cash generated from operations	235
NOTE 40	Convertible bond	235
NOTE 41	Redeemable preference shares	235
NOTE 42	Risks	236
NOTE 43	Commitments	236
NOTE 44	Business combinations	236
NOTE 45	Related party transactions	236
NOTE 46	Subsequent events	240
NOTE 47	Other	240

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As At 31 December 2014

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

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Cash and Cash Equivalents	**14**	**2,348,242,173**	**1,757,294,990**
1- Cash	14	53,676	62,280
2- Cheques Received		--	--
3- Banks	14	2,098,910,576	1,505,408,327
4- Cheques Given and Payment Orders	14	(171,519)	(1,025,984)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	249,449,440	252,850,367
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**1,114,726,681**	**1,109,846,847**
1- Available-for-Sale Financial Assets	11	906,847,326	905,238,347
2- Held to Maturity Investments	11	73,670,047	94,501,549
3- Financial Assets Held for Trading	11	140,006,920	115,904,563
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**	**971,491,906**	**953,641,241**
1- Receivables from Insurance Operations	12	751,368,850	736,197,976
2- Provision for Receivables from Insurance Operations	12	(7,677,067)	(9,475,078)
3- Receivables from Reinsurance Operations	12	159,969,053	141,494,497
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	67,831,070	85,423,846
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	113,390,295	102,838,143
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(113,390,295)	(102,838,143)
D- Due from Related Parties	**12**	**--**	**72,324**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	--	72,324
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**	**4,001,814**	**3,096,793**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	631,683	485,309
4- Other Miscellaneous Receivables	12	3,370,131	2,611,484
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	63,177
7- Provision for Other Doubtful Receivables	12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		**315,596,207**	**294,471,200**
1- Deferred Acquisition Costs	17	294,618,259	278,786,333
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2,12	20,722,572	15,491,016
4- Other Prepaid Expenses	4.2,12	255,376	193,851
G- Other Current Assets		**13,206,344**	**19,694,414**
1- Stocks to be Used in the Following Months		238,539	920,341
2- Prepaid Taxes and Funds	12,19	10,608,131	17,679,207
3- Deferred Tax Assets		--	--
4- Job Advances	12	167,145	41,221
5- Advances Given to Personnel	12	4,631	35,897
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	2,187,898	1,017,748
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**4,767,265,125**	**4,138,117,809**

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet As At 31 December 2014

(Currency: Turkish Lira (TL))

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

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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	11,695,323	10,908,362
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(11,695,323)	(10,908,362)
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**	**130,517,504**	**114,176,307**
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	129,424,797	113,430,100
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	1,092,707	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**	**74,463,600**	**77,787,694**
1- Investment Properties	6,7	48,325,615	48,325,615
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	38,751,315	37,913,919
4- Machinery and Equipments	6	34,554,018	32,800,391
5- Furniture and Fixtures	6	15,701,150	14,871,838
6- Motor Vehicles	6	2,674,433	2,564,806
7- Other Tangible Assets (Including Leasehold Improvements)	6	19,401,127	18,262,277
8- Tangible Assets Acquired Through Finance Leases	6	4,166,354	4,166,354
9- Accumulated Depreciation	6	(89,110,412)	(81,117,506)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	**8**	**63,041,229**	**63,517,832**
1- Rights	8	90,745,932	57,253,263
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	(45,684,081)	(29,281,745)
7- Advances Paid for Intangible Assets	8	1,729,378	19,296,314
G- Prepaid Expenses and Income Accruals		**3,562,038**	**40,150**
1- Deferred Acquisition Costs	17	3,562,038	34,671
2- Income Accruals		--	--
3- Other Prepaid Expenses		--	5,479
H- Other Non-Current Assets	**21**	**41,790,025**	**40,606,546**
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	41,790,025	40,606,546
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		**313,374,396**	**296,128,529**
TOTAL ASSETS		**5,080,639,521**	**4,434,246,338**

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As At 31 December 2014

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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**	**333,218,811**	**348,117,231**
1- Payables Arising from Insurance Operations		206,687,366	240,657,122
2- Payables Arising from Reinsurance Operations		41,910,954	40,078,893
3- Cash Deposited by Insurance and Reinsurance Companies		8,514,584	4,110,433
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		76,105,907	63,270,783
6- Discount on Payables from Other Operations		--	--
C-Due to Related Parties	**19**	**81,488**	**86,156**
1- Due to Shareholders		53,738	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		27,750	13,706
D- Other Payables	**19**	**48,001,148**	**56,847,391**
1- Deposits and Guarantees Received		2,958,994	3,079,453
2- Payables to Social Security Institution Related to Treatment Expenses		16,625,234	26,428,955
3- Other Miscellaneous Payables		28,666,170	27,966,606
4- Discount on Other Miscellaneous Payables		(249,250)	(627,623)
E-Insurance Technical Provisions	**17**	**3,357,104,047**	**2,845,330,801**
1- Reserve for Unearned Premiums - Net	17	1,528,917,388	1,458,121,390
2- Reserve for Unexpired Risks- Net	17	80,455,896	17,775,525
3- Life Mathematical Provisions - Net	17	368,342	641,636
4- Provision for Outstanding Claims - Net	17	1,747,362,421	1,368,792,250
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**28,779,229**	**28,647,704**
1- Taxes and Funds Payable		26,416,196	26,837,281
2- Social Security Premiums Payable		2,363,033	1,810,423
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	
4- Other Taxes and Similar Payables	-	--	--
5- Corporate Tax Payable		21,081,960	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		(21,081,960)	--
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**	**75,756,584**	**58,234,314**
1- Deferred Commission Income	10,19	34,699,722	30,341,851
2- Expense Accruals	19	40,881,668	27,787,533
3- Other Deferred Income	19	175,194	104,930
I- Other Short Term Liabilities		**1,433,153**	**1,187,490**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		1,433,153	1,187,490
III - Total Short Term Liabilities		**3,844,374,460**	**3,338,451,087**

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet As At 31 December 2014

(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
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**	**--**	**--**
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**	**83,054,021**	**66,371,127**
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	83,054,021	66,371,127
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**	**46,763,394**	**53,880,358**
1- Provisions for Employment Termination Benefits	23	18,432,669	17,564,332
2- Provisions for Pension Fund Deficits	22,23	28,330,725	36,316,026
H-Deferred Income and Expense Accruals	**19**	**92,083**	**--**
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	92,083	--
I- Other Long Term Liabilities		**--**	**--**
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		**129,909,498**	**120,251,485**

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As At 31 December 2014

(Currency: Turkish Lira (TL))

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

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Paid in Capital		**660,000,000**	**615,000,000**
1- (Nominal) Capital	2.13,15	660,000,000	615,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	**15**	**(6,859,068)**	**(4,568,692)**
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	(11,907,682)	(9,246,073)
5- Other Capital Reserves	15	5,048,614	4,677,381
C- Profit Reserves		**97,148,770**	**109,307,849**
1- Legal Reserves	15	77,369,316	76,312,898
2- Statutory Reserves	15	4,441,017	43,612,652
3- Extraordinary Reserves	15	12,047,517	16,896,500
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	49,409,155	18,869,209
6- Other Profit Reserves	15	24,941,814	24,676,639
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		**--**	--
1- Retained Earnings		--	--
E- Accumulated Losses		**(27,922,604)**	**(97,983,106)**
1- Accumulated Losses		(27,922,604)	(97,983,106)
F-Net Profit/(Loss) for the Year		**59,801,754**	**71,800,159**
1- Net Profit for the Period		59,002,494	71,428,926
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		799,260	371,233
G- Minority Shares		**324,186,711**	**281,987,556**
V- Total Equity		**1,106,355,563**	**975,543,766**
TOTAL EQUITY AND LIABILITIES		**5,080,639,521**	**4,434,246,338**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Non-Life Technical Income		**3,348,472,224**	**2,904,745,877**
1- Earned Premiums (Net of Reinsurer Share)		2,997,531,819	2,639,919,069
1.1- Written Premiums (Net of Reinsurer Share)	17	3,131,619,183	2,850,351,482
1.1.1- Written Premiums, gross	17	3,844,788,600	3,575,410,679
1.1.2- Written Premiums, ceded	10,17	(639,067,377)	(661,091,974)
1.1.3- Written Premiums, SSI share		(74,102,040)	(63,967,223)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(71,406,993)	(198,551,716)
1.2.1- Reserve for Unearned Premiums, gross	17	(73,295,604)	(279,314,258)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(49,046)	66,207,423
1.2.3- Reserve for Unearned Premiums, SSI share		1,937,657	14,555,119
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(62,680,371)	(11,880,697)
1.3.1- Reserve for Unexpired Risks, gross		(63,767,740)	(16,385,620)
1.3.2- Reserve for Unexpired Risks, ceded		1,087,369	4,504,923
2- Investment Income - Transferred from Non-Technical Section		301,839,464	186,338,695
3- Other Technical Income (Net of Reinsurer Share)		36,941,711	63,491,915
3.1- Other Technical Income, gross		36,944,656	63,463,725
3.2- Other Technical Income, ceded		(2,945)	28,190
4. Accrued Salvage and Subrogation Income		12,159,230	14,996,198
B- Non-Life Technical Expense		**(3,222,295,801)**	**(2,783,727,553)**
1- Incurred Losses (Net of Reinsurer Share)		(2,361,395,001)	(1,977,862,993)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1,983,768,035)	(1,727,239,776)
1.1.1- Claims Paid, gross	17	(2,100,564,859)	(1,829,279,322)
1.1.2- Claims Paid, ceded	10,17	116,796,824	102,039,546
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(377,626,966)	(250,623,217)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(451,754,342)	(283,018,746)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	74,127,376	32,395,529
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	(16,762,259)	(15,685,103)
4- Operating Expenses	32	(800,916,609)	(745,471,407)
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		(43,221,932)	(44,708,050)
6.1- Other Technical Expense, gross		(43,221,932)	(44,708,050)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**126,176,423**	**121,018,324**
D- Life Technical Income		**21,023,279**	**21,370,999**
1- Earned Premiums (Net of Reinsurer Share)		19,456,394	20,078,366
1.1- Written Premiums (Net of Reinsurer Share)	17	18,845,399	20,467,708
1.1.1- Written Premiums, gross	17	24,082,962	21,743,651
1.1.2- Written Premiums, ceded	10,17	(5,237,563)	(1,275,943)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	610,995	(389,342)
1.2.1- Reserve for Unearned Premiums, gross	17	60,476	(487,433)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	550,519	98,091
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		1,489,069	1,212,093
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		77,816	80,540
4.1- Other Technical Income, gross		77,816	80,540
4.2- Other Technical Income, ceded		--	--
5- Accrued Salvage and Subrogation Income		--	--

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
E- Life Technical Expense		**(15,693,822)**	**(16,950,513)**
1- Incurred Losses (Net of Reinsurer Share)		(7,744,957)	(7,004,352)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,801,752)	(6,596,545)
1.1.1- Claims Paid, gross	17	(10,861,957)	(6,641,402)
1.1.2- Claims Paid, ceded	10,17	4,060,205	44,857
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(943,205)	(407,807)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,109,507)	(1,421,346)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	166,302	1,013,539
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	273,294	378,443
3.1- Change in Mathematical Provisions, gross	29	273,294	378,443
3.1.1- Actuarial Mathematical Provisions		273,294	378,443
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	79,365	(265,425)
5- Operating Expenses	32	(8,301,524)	(10,059,179)
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)		**5,329,457**	**4,420,486**
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)		**--**	**--**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
C- Net Technical Income - Non-Life (A-B)		**126,176,423**	**121,018,324**
F- Net Technical Income - Life (D-E)		**5,329,457**	**4,420,486**
I - Net Technical Income - Pension Business (G-H)		**--**	**--**
J- Total Net Technical Income (C+F+I)		**131,505,880**	**125,438,810**
K- Investment Income		**402,019,987**	**299,876,560**
1- Income from Financial Assets	4.2	214,542,234	158,625,186
2- Income from Disposal of Financial Assets	4.2	61,386,475	27,775,982
3- Valuation of Financial Assets	4.2	16,705,624	4,350,465
4- Foreign Exchange Gains	4.2	74,755,504	73,484,048
5- Income from Associates	4.2	19,983,764	17,788,246
6- Income from Subsidiaries and Joint Ventures	4.2	347,307	1,925
7- Income from Property, Plant and Equipment	7	13,668,530	13,179,908
8- Income from Derivative Transactions	4.2	441,863	4,558,126
9- Other Investments		188,686	112,674
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(412,780,973)**	**(277,460,881)**
1- Investment Management Expenses (inc. interest)	4.2	(413,808)	(1,472,447)
2- Diminution in Value of Investments	4.2	(3,509,979)	(4,677,619)
3- Loss from Disposal of Financial Assets	4.2	(17,584,246)	(23,421,773)
4- Investment Income Transferred to Non-Life Technical Section		(301,839,464)	(186,338,695)
5- Loss from Derivative Transactions	4.2	(282,254)	(6,499,680)
6- Foreign Exchange Losses	4.2	(57,145,242)	(31,379,597)
7- Depreciation and Amortization Expenses	6,8	(25,929,420)	(18,969,171)
8- Other Investment Expenses		(6,076,560)	(4,701,899)
M- Income and Expenses From Other and Extraordinary Operations		**(8,017,828)**	**(47,868,439)**
1- Provisions	47	(16,008,099)	(30,673,358)
2- Rediscounts	47	(3,019,675)	2,380,930
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	6,414,198	(1,481,229)
6- Deferred Taxation (Deferred Tax Liabilities)	35	1,481,229	(19,058,743)
7- Other Income		5,288,210	3,684,042
8- Other Expenses and Losses		(2,173,691)	(2,720,081)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		**91,645,106**	**99,986,050**
1- Profit for the Year		112,727,066	99,986,050
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(21,081,960)	--
3- Net Profit for the Year		91,645,106	99,986,050
3.1-Groups Profit/(Loss)		59,801,754	71,800,159
3.2-Minority Shares		31,843,352	28,185,891
4- Monetary Gains and Losses		--	--

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

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- Purchase of 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**	**--**

Audited Changes in Equity - 31 December 2014

	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 2013	**15**	**615,000,000**	**--**	**18,869,209**	**--**
A- Capital increase (A1+A2)		45,000,000	--	--	--
1- In cash		--	--	--	--
2- From reserves		*45,000,000*	--	--	--
B-Effects of changes in group structure		--	--	--	--
C- Purchase of own shares		--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--
E -Change in the value of financial assets		--	--	30,539,946	--
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 2014	**15**	**660,000,000**	**--**	**49,409,155**	**--**

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**

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
(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**
--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	*(39,500,000)*	*(5,500,000)*	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	267,622	--	--	267,622	--	267,622
--	--	--	--	--	--	30,539,946	10,355,803	40,895,749
(2,661,609)	--	--	--	--	--	(2,661,609)	--	(2,661,609)
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	59,801,754	--	59,801,754	31,843,352	91,645,106
--	1,056,418	328,365	1,019,803	(71,800,159)	70,060,502	664,929	--	664,929
--	--	--	--	--	--	--	--	--
(11,907,682)	**77,369,316**	**4,441,017**	**(29,022,104)**	**59,801,754**	**(27,922,604)**	**782,168,852**	**324,186,711**	**1,106,355,563**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A. Cash flows from operating activities			
1. Cash provided from insurance activities		3,057,769,886	2,298,465,231
2. Cash provided from reinsurance activities		1,009,325,193	1,666,562,686
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(2,929,122,653)	(2,422,921,501)
5. Cash used in reinsurance activities		(803,997,793)	(1,098,238,201)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		**333,974,633**	**443,868,215**
8. Interest paid		--	--
9. Income taxes paid		(22,930,452)	--
10. Other cash inflows		667,872,563	47,104,830
11. Other cash outflows		(791,279,095)	(157,275,256)
12. Net cash provided from operating activities		**187,637,649**	**333,697,789**
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		238	1,823,500
2. Acquisition of tangible assets	6, 8	(22,199,158)	(47,940,958)
3. Acquisition of financial assets	11	(1,280,823,743)	(1,231,797,642)
4. Proceeds from disposal of financial assets		1,327,186,209	801,022,292
5. Interests received		296,835,030	134,029,036
6. Dividends received		5,210,648	9,635,460
7. Other cash inflows		138,471,262	93,832,130
8. Other cash outflows		(292,691,169)	333,715,367
9. Net cash provided by/(used in) investing activities		**171,989,317**	**94,319,185**
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		**1,700,942**	**31,226,931**
E. Net increase/(decrease) in cash and cash equivalents		**361,327,908**	**459,243,905**
F. Cash and cash equivalents at the beginning of the year	**14**	**1,342,535,143**	**883,291,238**
G. Cash and cash equivalents at the end of the year	**14**	**1,703,863,051**	**1,342,535,143**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2014

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014 (**)	Audited Prior Period 31 December 2013
I. DISTRIBUTION OF THE PERIOD PROFIT (*)			
1.1. PERIOD PROFIT		11,054,672	22,638,914
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)		**11,054,672**	**22,638,914**
1.3. ACCUMULATED LOSSES (-)		(23,749,257)	(46,388,171)
1.4. FIRST LEGAL RESERVES (-)		--	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**(12,694,585)**	**(23,749,257)**
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 2014, 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 2014

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

1 General information

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

As at 31 December 2014, 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 2014include 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 2014, the Company serves through 2,576agencies of which 2,485authorized and 91 unauthorized agencies (31 December 2013: 2,468authorized and 83unauthorized, total 2,551).

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 ("BIST"). In accordance with Paragraph 5 Article 136 in Section VIII of the Capital Markets Law numbered 6362, insurance companies have to comply with their own specific laws and regulations in matters of establishment, supervision/oversight, accounting and independent auditing standards; therefore, Anadolu Sigorta performs its operations accordingly.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014	31 December 2013
Senior management	13	14
Managers	57	57
Assistant manager	142	128
Officers	661	632
Contracted personnel	43	42
Advisor	3	3
Other personnel	270	264
Total	**1,189**	**1,140**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2014, 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 9,444,775 (31 December 2013: TL 9,394,672).

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 2014, the Company owns 57.31% of its subsidiary, Anadolu Sigorta and Anadolu Sigorta are 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 2014.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of accident, health, general losses, motor vehicles liability, air craft liability, general liability, credit, financial losses and legal protection.

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 2014

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

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

The 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, 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 2013 and nine-month results as at and for the period ended 30 September 2014 and accordingly related balance sheet balances as at 31 December 2014 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.

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 2014, 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 2014. 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, 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 sub branches 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 sub branches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2014, the Company recognised the amount that arise due to change in calculation method for IBNR on General Losses branch.

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 assets	Shareholders' equity	Prior period loss	Current period profit
Anadolu Sigorta (consolidated)	57.31%	57.31%	3,505,252,496	751,694,923	13,386,141	74,592,102

The Company has not consolidated 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 2014 and 2013.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, 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 - 25
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

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 assets

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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.

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 2014 and 2013, the share capital and ownership structure of the Company are as follows:

	31 December 2014		31 December 2013	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	505,810,925	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	36,163,765	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (*)	22,240,456	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	15,310,652	2.49
Others	7,122,753	1.08	6,637,111	1.08
Paid in capital	**660,000,000**	**100.00**	**615,000,000**	**100.00**

(*) All equity shares nominal valued TL 22,240,456 (31 December 2013: TL 20,724,061) and at the rate of 3.37% owned by T.C. Başbakanlık Hazine Müsteşarlığı has been transferred to T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı and recorded to share ledger as of 24 March 2014 in accordance with the Board of Directors decision dated 24 March 2014 and numbered 1204.

Sources of the capital increases during the year

Increase date	**Increase amount**	**Cash**	**Reserves**
7 April 2014	45,000,000	--	45,000,000

By the decision taken at Ordinary Meeting of the General Assembly conducted on 26 March 2014, issued capital of the Company amounted to TL 615,000,000 has been increased by total TL 45,000,000. TL 39,500,000 of this amount is from reserves by statues and TL 5,500,000 is from extra reserves. The registration of the increase has been completed as of 7 April 2014.

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 2014

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

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014, the Group has deductible tax losses, amounting to TL 69,844,562 (31 December 2013: TL 95,828,488 as Group and Anadolu Sigorta TL 3,664,725 as subsidiary company total TL 99,493,213).

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.

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 Gazzette 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 Gazzette 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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.

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 Labor 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 2014 is TL 3,438 (31 December 2013: TL 3,254).

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Discount rate	3.77% - 4.46%	3.61% - 3.77%
Expected rate of salary/limit increase	4.37% - 5.00%	5.00% - 6.37%
Estimated employee turnover rate	2.00% - 6.29%	2.00% - 7.11%

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

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

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 26,118,178 (31 December 2013: TL 25,286,057) subrogation receivables and recorded TL 30,648,790 (31 December 2013: TL 29,179,630) *(Note 12)* amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 7,677,067 (31 December 2013: TL 9,475,078) *(Note 12)* in accordance with circular.

For the periods ended 31 December 2014 and 2013, salvage and subrogation collected are as follows:

	31 December 2014	31 December 2013
Motor vehicles	255,938,892	198,341,171
Third party liability for motor vehicles (MTPL)	4,894,794	5,275,881
Transportation	2,556,620	2,002,200
Fire and natural disaster	1,951,328	1,647,652
Water vehicles	1,087,073	751,675
Accident	452,519	548,899
General losses	248,943	85,598
General responsibility	129,658	22,584
Air crafts	16,861	--
Credit	2,410	355,772
Legal protection	(22,011)	22,461
Health	--	21,104
Total	**267,257,087**	**209,074,997**

As at 31 December 2014 and 2013, accrued subrogation and salvage income per branches is as follows:

	31 December 2014	31 December 2013
Motor vehicles	29,805,959	27,506,620
Third party liability for motor vehicles (MTPL)	213,733	1,450,379
Water vehicles	34,052	--
Fire and natural disaster	397,028	146,400
Transportation	181,347	64,907
General losses	16,671	10,291
Accident	--	1,033
Total	**30,648,790**	**29,179,630**

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013, 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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.

As at the reporting date, the Group has provided reserve for unearned premiums amounting to TL 1,820,412,103 (31 December 2013: TL 1,747,176,975) and reinsurer share in reserve for unearned premiums amounting TL 254,801,924 (31 December 2013: TL 254,300,451). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 36,692,792 (31 December 2013: TL 34,755,134).

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.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

Branches	Milli Reasürans	Anadolu Sigorta
Fire and natural disasters	Standard Chain Ladder	Munich Chain Ladder
General losses (*)	Standard Chain Ladder	Standard Chain Ladder
General liability	Standard Chain Ladder	Cape Code
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Cape Code
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	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 9/2014)	--
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Guarantee	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	--
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	--
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, guarantee, 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 73,634,948 (31 December 2013: TL 3,945,150 negative IBNR, 100%) as provision for outstanding claims. As at the reporting date, TL 38,202,017 (31 December 2013: TL 30,299,954) of IBNR provision is recorded for Singapore branch.

As at 31 December 2014, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 327,611,024 and reinsurance share TL (17,969,121) using 100% of ACLM result (31 December 2013: test IBNR method, Gross IBNR: TL 193,676,094, reinsurance share: TL (7,596,560)) 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 75,260,122 (31 December 2013: TL 53,749,627) as IBNR and TL 9,912,780 (31 December 2013: TL 6,764,302) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2013 is within 0%-100%range (31 December 2013: 0%-35%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

	31 December 2014		
Branch	**Winning ratios used**	**Gross amount decreased**	**Net amount decreased**
Third party liability for motor vehicles (MTPL)	13%	27,061,833	26,173,740
General responsibility	25%	31,775,165	30,362,994
Fire and natural disasters	23%	10,183,292	4,417,948
Motor vehicles	21%	2,623,152	2,533,992
General losses	19%	2,057,461	686,961
Water vehicles	25%	791,187	493,422
Transportation	25%	431,542	362,137
Accident	14%	304,698	284,356
Credit	25%	25,000	25,000
Legal protection	25%	6,792	6,792
Total		**75,260,122**	**65,347,342**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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**

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 1,153,501between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to "Other Technical Expense" as at 31 December 2014 (31 December 2013: TL 5,721,687).

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 Consolidated Financial Statements As at 31 December 2014

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

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 80,455,896 in the accompanying consolidated financial statements (31 December 2013: TL 17,775,525).

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 83,054,021 (31 December 2013: TL 66,371,127).

As at 31 December 2014, the Group has deducted TL 27,076,935 (31 December 2013: TL 23,840,767) from equalization provision in consequence of realized earthquake losses.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earnings 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

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 2014. 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 2018. 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. The Company is appreciating the effects of the standard on the financial position and performance.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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.

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 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 - 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014

(Currency: Turkish Lira (TL))

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

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 2014		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles	543,514,898	(2,019,216)	541,495,682
Motor vehicles liability (MTPL)	506,068,519	(111,366)	505,957,153
Fire and natural disasters	340,199,580	(37,079,591)	303,119,989
General losses	270,908,309	(22,904,508)	248,003,801
Health	230,503,917	(12,936,762)	217,567,155
Water vehicles	81,345,661	(29,576,427)	51,769,234
General liability	54,104,745	(3,358,223)	50,746,522
Transportation	40,493,803	(7,431,770)	33,062,033
Accident	26,290,988	(1,204,030)	25,086,958
Life	10,861,957	(4,060,205)	6,801,752
Air crafts	4,990,389	(2,478)	4,987,911
Credit	1,149,860	(58,980)	1,090,880
Guarantee	367,178	(24,632)	342,546
Air crafts liability	296,092	(64,936)	231,156
Legal protection	162,950	(45)	162,905
Financial losses	115,030	(23,860)	91,170
Water vehicles liability	52,940	--	52,940
Total	**2,111,426,816**	**(120,857,029)**	**1,990,569,787**

	31 December 2013		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles	533,316,456	(1,634,286)	531,682,170
Motor vehicles liability (MTPL)	356,418,403	(104,152)	356,314,251
Fire and natural disasters	327,820,180	(36,413,720)	291,406,460
General losses	249,438,439	(20,118,739)	229,319,700
Health	193,974,121	(12,000,196)	181,973,925
General liability	35,844,536	(3,052,118)	32,792,418
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
Credit	6,507,546	(95,441)	6,412,105
Air crafts	14,495,556	(8,954,172)	5,541,384
Air crafts liability	1,531,810	--	1,531,810
Breach of trust	413,418	(325)	413,093
Legal protection	129,687	(117)	129,570
Water vehicles liability	30,025	--	30,025
Financial losses	3,430,150	(3,489,354)	(59,204)
Total	**1,835,920,724**	**(102,084,403)**	**1,733,836,321**

(*) 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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.

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

	31 December 2014	**31 December 2013**
Cash and cash equivalents *(Note 14)*	2,348,360,016	1,758,258,694
Receivables from main operations *(Note 12)*	932,112,278	959,403,732
Financial assets and financial investments with risks on policyholders *(Note 11)* (*)	971,491,906	953,641,241
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	187,370,933	113,077,255
Prepaid taxes and funds *(Note 12)*	10,608,131	17,679,207
Income accruals *(Note 12)*	20,722,572	15,491,016
Other receivables *(Note 12)*	4,001,814	3,096,793
Due from related parties *(Note 12)*	--	72,324
Other current asset *(Note 12)*	2,359,674	1,094,866
Total	**4,477,027,325**	**3,821,815,128**

(*) Cash on hands balance amounting to TL 53,676 are not included (31 December 2013: TL 62,280).

(**) Equity shares amounting to TL 182,614,403 are not included (31 December 2013: TL 150,443,115).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

31 December 2014 and 2013, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2014		31 December 2013	
	Gross amount	**Provision**	**Gross amount**	**Provision**
Not past due	691,089,895	--	698,065,557	--
Past due 0-30 days	117,223,501	--	103,500,730	--
Past due 31-60 days	16,979,325	--	16,806,610	--
Past due 61-90 days	12,392,923	--	10,921,927	--
More than 90 days (*)	154,810,606	(125,085,618)	137,073,366	(113,746,505)
Total (**)	**992,496,250**	**(125,085,618)**	**966,368,190**	**(113,746,505)**

(*) 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 81,109,551 (31 December 2013: TL 81,315,004) of untransferred amount collected by intermediaries and TL 30,648,790 (31 December 2013: TL 29,179,630) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having passed over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 7,677,067 (31 December 2013: TL 9,475,078) 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 2014	31 December 2013
Provision for receivables from insurance operations at the beginning of the year	113,746,505	97,372,576
Collections during the period *(Note 47)*	(1,077,499)	(908,822)
Impairment losses provided during the period *(Note 47)*	2,518,673	1,503,704
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	9,104,101	14,237,664
Foreign currency translation effect *(Note 47)*	793,838	1,541,383
Provision for receivables from insurance operations at the end of the year	**125,085,618**	**113,746,505**

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

	31 December 2014	31 December 2013
Provision for other receivables at the beginning of the year	63,177	232,377
Collections during the period *(Note 47)*	--	(177,160)
Impairment losses provided during the period *(Note 47)*	--	7,960
Provision for other receivables at the end of the year	**63,177**	**63,177**

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014	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	2,348,242,173	760,590,602	1,444,741,803	117,552,880	25,356,888	--
Receivables from main operations	971,491,906	167,065,674	332,687,147	330,406,279	133,158,264	8,174,542
Financial assets and financial investments with risks on policyholders (*)	932,112,278	323,285,988	49,685,433	40,508,395	62,680,823	455,951,639
Other receivables and current assets	37,947,567	32,562,672	2,332,079	1,914,880	1,137,936	--
Total monetary assets	**4,289,793,924**	**1,283,504,936**	**1,829,446,462**	**490,382,434**	**222,333,911**	**464,126,181**
Liabilities						
Insurance technical provisions (**)	1,747,362,421	145,696,723	305,563,607	116,206,094	99,256,001	1,080,639,996
Payables arising from main operations	333,218,811	103,441,845	50,466,353	83,703,672	95,606,941	--
Provisions for other risks and expense accruals	87,645,062	6,493,459	3,139,661	15,759,247	--	62,252,695
Other liabilities	48,001,148	18,691,190	26,393,381	--	--	2,916,577
Provisions for taxes and other similar obligations	28,779,229	28,779,229	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	**2,245,088,159**	**303,183,934**	**385,563,002**	**215,669,013**	**194,862,942**	**1,145,809,268**

(*) Equity shares amounting to TL 182,614,403 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.

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 2014

(Currency: Turkish Lira (TL))

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

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.

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

31 December 2014	**US Dollar**	**Euro**	**Other currencies**	**Total**
Assets:				
Receivables from main operations	200,570,942	60,452,264	98,142,646	359,165,852
Cash and cash equivalents	266,710,622	5,718,197	4,089,735	276,518,554
Financial assets and financial investments with risks on policyholders	--	12,320,065	--	12,320,065
Total foreign currency assets	**467,281,564**	**78,490,526**	**102,232,381**	**648,004,471**
Liabilities:				
Payables arising from main operations	(125,041,261)	(14,340,894)	(3,639,460)	(143,021,615)
Insurance technical provisions (*)	(201,931,554)	(115,074,078)	(91,191,721)	(408,197,353)
Total foreign currency liabilities	**(326,972,815)**	**(129,414,972)**	**(94,831,181)**	**(551,218,968)**
Net on-balance sheet position	**140,308,749**	**(50,924,446)**	**7,401,200**	**96,785,503**

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**

(*) 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014	2.3189	2.8207	2.1876	2.9061
31 December 2013	2.1343	2.9365	1.9008	2.5247

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2014 and 2013 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 2014		31 December 2013	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	14,030,875	14,030,875	5,022,039	5,022,039
Euro	(5,092,445)	(5,092,445)	(3,704,492)	(3,704,492)
Others	740,120	740,120	(926,226)	(926,226)
Total, net	**9,678,550**	**9,678,550**	**391,321**	**391,321**

(*) 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 2014	**31 December 2013**
Financial assets		
Financial assets with fixed interest rates:	*2,610,973,155*	*2,155,365,704*
Cash at banks *(Note 14)* (*)	2,087,098,971	1,482,513,115
Available for sale financial assets - Government bonds - TL *(Note 11)*	432,386,187	421,774,438
Cash deposited to insurance and reinsurance companies *(Note 12)*	67,831,070	85,423,846
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	17,769,646	131,135,080
Financial assets held for trading - Reverse repos *(Note 11)*	5,887,281	26,447,255
Financial assets held for trading - Eurobonds *(Note 11)*	--	6,396,988
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	--	1,674,982
Financial assets with variable interest rate:	*169,073,492*	*192,207,223*
Available for sale financial assets - Government bonds- TL *(Note 11)*	18,798,159	49,447,712
Held to maturity investments - Government bonds *(Note 11)*	73,670,047	94,501,549
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	70,632,152	35,815,971
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	5,073,117	11,527,204
Financial assets held for trading - Government bonds - TL *(Note 11)*	900,017	914,787

(*) Demand deposits amounting to TL 11,811,605 are not included (31 December 2013: TL 22,895,212).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 and 2013 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 and 2013. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity (*)	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(45,465)	34,401	(45,465)	34,401
Available for sale financial assets	--	--	(8,443,462)	8,568,762
Total, net	**(45,465)**	**34,401**	**(8,488,927)**	**8,603,163**

	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**

(*) 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 73,670,047 (31 December 2013: TL 94,501,549) are measured at amortized cost and their fair value amounting to TL 74,133,508 (31 December 2013: TL 93,990,092) as at 31 December 2014 in the consolidated financial statements. Held to maturity financial assets of the Group is consist of the government bonds that are dealt at the organized markets and classified as Level 1.

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 2014

(Currency: Turkish Lira (TL))

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

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

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available for sale financial assets (*)	886,064,419	6,533,319	3,297,263	895,895,001
Financial assets held for trading *(Note 11)*	140,006,920	--	--	140,006,920
Total financial assets	**1,026,071,339**	**6,533,319**	**3,297,263**	**1,035,901,921**

	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**

(*) As at 31 December 2014, securities that are not publicly traded amounting to TL 5,154,713 (31 December 2013: TL 5,405,892) have been measured at cost.

	31 December 2014	**31 December 2013**
Available for sale financial assets at the beginning of the period	**3,297,263**	**3,272,355**
Valuation increase (Account of valuation of financial assets)	--	24,908
Available for sale financial assets at the end of the period	**3,297,263**	**3,297,263**

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 2014		31 December 2013	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
Financial assets held for trading	(391,590)	(391,590)	(357,162)	(357,162)
Available for sale financial assets	--	(17,024,653)	--	(13,816,834)
Total, net	**(391,590)**	**(17,416,243)**	**(357,162)**	**(14,173,996)**

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	**31 December 2014**	**31 December 2013**
Interest income from bank deposits	157,667,255	103,247,785
Income from equity shares	18,279,830	36,474,008
Interest income from debt securities classified as available-for-sale financial assets	67,056,489	33,175,149
Foreign exchange gains	74,755,504	73,484,048
Income from investment funds	34,887,530	(93,719)
Income from participates	19,983,764	17,788,246
Interest income from debt securities classified as held to maturity financial investments	10,730,801	9,909,524
Income from debt securities classified as held for trading financial assets	3,134,653	1,534,786
Interest income from repos	1,293,630	573,560
Income from derivative transactions	441,863	4,558,126
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	(3,522,062)	4,698,475
Income from subsidiaries	347,307	1,925
Other	3,106,207	1,232,065
Investment income	**388,162,771**	**286,583,978**
Foreign exchange losses	(57,145,242)	(31,379,597)
Loss from disposal of financial assets	(17,584,246)	(23,421,773)
Loss from valuation of financial assets	(3,509,979)	(4,677,619)
Investment management expenses (including interest)	(413,808)	(1,472,447)
Loss from derivative transactions	(282,254)	(6,499,680)
Investment expenses	**(78,935,529)**	**(67,451,116)**
Investment income, net	**309,227,242**	**219,132,862**

Financial gains and losses recognized in equity, net:	**31 December 2014**	**31 December 2013**
Fair value changes in available for sale financial assets *(Note 15)*	20,704,059	(20,976,221)
Amounts resulted from associates through equity accounted consolidation method *(Note 15)*	6,313,825	(7,111,853)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	3,522,062	(4,698,475)
Total	**30,539,946**	**(32,786,549)**

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 286,515,145in accordance with the calculation from the unconsolidated financial statements as at 31 December 2014. As at 31 December 2014 and 2013, the capital amount of the Company presented in the consolidated financial statements are TL 753,001,793 and TL 702,005,911, respectively and as at 31 December 2014capital surplus of the Company is amounting to TL 202,440,687 according to the communiqué.

As at 31 December 2014, minimum required capital of Anadolu Sigorta is TL 847,030,553 in accordance with the calculation from the unconsolidated financial statements of Anadolu Sigorta. As at 31 December 2014, the capital amount of Anadolu Sigorta presented in the unconsolidated financial statements are above the minimum capital requirement amounts.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effect (*)	Disposals	31 December 2014
Cost:					
Investment properties *(Note 7)*	48,325,615	--	--	--	48,325,615
Owner occupied properties	37,913,919	888,859	--	(51,463)	38,751,315
Machinery and equipment	32,800,391	2,925,379	--	(1,171,752)	34,554,018
Furniture and fixtures	14,871,838	1,050,435	26,967	(248,090)	15,701,150
Motor vehicles	2,564,806	383,160	33,387	(306,920)	2,674,433
Other tangible assets (including leasehold improvements)	18,262,277	1,138,850	--	--	19,401,127
Leased tangible assets	4,166,354	--	--	--	4,166,354
	158,905,200	**6,386,683**	**60,354**	**(1,778,225)**	**163,574,012**
Accumulated depreciation:					
Investment properties *(Note 7)*	22,290,395	966,510	--	--	23,256,905
Owner occupied properties	14,361,591	761,226	--	(25,772)	15,097,045
Machinery and equipment	23,879,216	3,198,899	--	(1,164,362)	25,913,753
Furniture and fixtures	11,173,991	1,043,546	26,348	(245,441)	11,998,444
Motor vehicles	1,652,506	410,071	16,991	(255,057)	1,824,511
Other tangible assets (including leasehold improvements)	3,593,702	3,259,748	--	--	6,853,450
Leased tangible assets	4,166,105	199	--	--	4,166,304
	81,117,506	**9,640,199**	**43,339**	**(1,690,632)**	**89,110,412**
Carrying amounts	**77,787,694**				**74,463,600**

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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.

There is not any change in depreciation method in the current period.

There is not any revaluation on tangible assets.

As at 31 December 2014 and 2013, carrying amount and fair value of the Company's operating center building located in Nişantaşı amounting to TL 18,767,357 and TL 18,827,166; respectively. As at 31 December 2014, fair value of building is amounting to TL 86,709,932 according to expert report.

7 Investment properties

As at 31 December 2014 and 2013, inflation adjusted cost and carrying amounts of the Group's investment properties are amounting to TL 48,325,615 (31 December 2013: TL 48,325,615) and TL 25,068,710 (31 December 2013: TL 26,035,220), respectively.

As at 31 December 2014 and 2013, details of investment properties and the fair values are as follows:

	31 December 2014 Carrying amount	31 December 2013 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	15,858,131	16,405,223	31 December 2014	98.315.099
Suadiye Fitness Center	3,653,842	3,829,252	31 December 2014	13.055.407
Tunaman Garage	1,625,226	1,692,481	31 December 2014	63.676.994
Villa Office Block	666,943	704,041	31 December 2014	19.316.437
Other buildings	3,264,568	3,404,223	31 December 2014	40.077.000
Carrying amounts	**25,068,710**	**26,035,220**		**234.440.937**

For the year ended 31 December 2014, the Group has rental income from investment properties amounting to TL 13,625,922 (31 December 2013: TL 13,179,908).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effects (*)	Disposal	31 December 2014
Cost:					
Other intangible assets	57,253,263	12,958,832	20,533,837	--	90,745,932
Goodwill	16,250,000	--	--	--	16,250,000
Advances given for intangible assets	19,296,314	2,853,643	(20,420,579)	--	1,729,378
	92,799,577	**15,812,475**	**113,258**	**--**	**108,725,310**
Accumulated amortization:					
Other intangible assets	29,281,745	16,289,221	113,115	--	45,684,081
	29,281,745	**16,289,221**	**113,115**	**--**	**45,684,081**
Carrying amounts	**63,517,832**				**63,041,229**

(*) Foreign currency translation effect resulted from Singapore Branch.

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.

9 Investments in associates

	31 December 2014		31 December 2013	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	129,424,797	21.00	113,430,100	21.00
Associates, net	**129,424,797**		**113,430,100**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	1,092,707	77.00	746,207	77.00
Subsidiaries, net	**1,092,707**		**746,207**	
Financial asset total	**130,517,504**		**114,176,307**	

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	4,126,515	3,754,027	--	111,405	Not audited	31 December 2014
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	10,157,734,455	616,308,553	12,090,039	95,160,780	Audited	31 December 2014

In the current period TL 19,983,764 of income is obtained from associates through equity accounted consolidation method (31 December 2013: TL 17,788,246).

10 Reinsurance asset and liabilities

As at 31 December 2014 and 2013, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2014	31 December 2013
Reserve for unearned premiums, ceded *(Note 17)*	254,801,924	254,300,451
Provision for outstanding claims, ceded *(Note 4.2)*, *(Note 17)*	187,370,933	113,077,255
Receivables from reinsurance companies *(Note 12)*	15,749,171	58,450,134
Cash deposited to reinsurance companies	25,739,633	24,225,083
Reinsurers share in the provision for subrogation and salvage receivables	--	73,949
Total	**483,661,661**	**450,126,872**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2014	31 December 2013
Payables to the reinsurers related to premiums written *(Note 19)*	218,545,652	250,847,512
Deferred commission income *(Note 19)*	34,699,722	30,341,851
Cash deposited by reinsurance companies	7,277,133	3,105,906
Commission payables to the reinsurers related to written premiums (*Note 19)*	1,359,739	649,466
Total	**261,882,246**	**284,944,735**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

Gains and losses recognized in the consolidated statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2014	31 December 2013
Premiums ceded during the period *(Note 17)*	(644,304,940)	(662,367,917)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(254,300,451)	(187,994,937)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	254,801,924	254,300,451
Premiums earned, ceded *(Note 17)*	**(643,803,467)**	**(596,062,403)**
Claims paid, ceded during the period *(Note 17)*	120,857,029	102,084,403
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(113,077,255)	(79,668,187)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	187,370,933	113,077,255
Claims incurred, ceded *(Note 17)*	**195,150,707**	**135,493,471**
Commission income accrued from reinsurers during the period *(Note 32)*	60,985,494	78,044,129
Deferred commission income at the beginning of the period *(Note 19)*	30,341,851	27,576,172
Deferred commission income at the end of the period *(Note 19)*	(21,360,146)	(30,341,851)
Commission income earned from reinsurers *(Note 32)*	**69,967,199**	**75,278,450**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**1,087,370**	**4,504,923**
Total, net	**(377,598,191)**	**(380,785,559)**

11 Financial assets

As at 31 December 2014 and 2013, the Group's financial assets are detailed as follows:

	31 December2014	31 December 2013
Available for sale financial assets	906,847,326	905,238,347
Financial assets held for trading	140,006,920	115,904,563
Held to maturity financial assets	73,670,047	94,501,549
Impairment loss on available for sale financial assets	(5,797,612)	(5,797,612)
Total	**1,114,726,681**	**1,109,846,847**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014 and 2013, the Group's financial assets held for trading are detailed as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Private sector bonds - TL	4,990,000	4,991,033	5,073,117	5,073,117
Government bonds - TL	900,000	907,616	900,017	900,017
Reverse repo	--	5,885,733	5,887,281	5,887,281
		11,784,382	**11,860,415**	**11,860,415**
Non-fixed income financial assets:				
Equity shares		6,032,093	3,915,902	3,915,902
Investment funds		106,660,295	124,230,603	124,230,603
		112,692,388	**128,146,505**	**128,146,505**
Total financial assets held for trading		**124,476,770**	**140,006,920**	**140,006,920**

	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**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

As at 31 December 2014 and 2013, the Group's available for sale financial assets are as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds - TL	433,270,054	435,887,187	451,184,346	451,184,346
Private sector bonds - TL	87,033,900	86,612,054	88,401,798	88,401,798
		522,499,241	**539,586,144**	**539,586,144**
Non-fixed income financial assets:				
Investment funds		181,151,117	182,765,069	182,765,069
Equity shares		132,150,514	184,496,113	184,496,113
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		313,301,631	**361,463,570**	**361,463,570**
Total available-for-sale financial assets		**835,800,872**	**901,049,714**	**901,049,714**

	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**

All debt instruments presented above are traded in the capital markets. As at 31 December 2014, equity shares classified as available for sale financial assets with a carrying amount of TL 8,451,976 are not publicly traded (31 December2013: TL 8,703,155).

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 2014, 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 2013: TL 5,797,612).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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
2014	30,539,946	49,409,155
2013	(32,786,549)	18,869,209
2012	47,198,433	51,655,758

As at 31 December 2014 and 2013, the Group's financial assets held to maturity are as follows:

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	55,937,785	57,921,026	74,133,508	73,670,047
Total financial assets held to maturity	**55,937,785**	**57,921,026**	**74,133,508**	**73,670,047**

	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**

As at 31 December 2014 and 2013, the movement of the financial assets is presented below:

	31 December 2014			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**115,904,563**	**899,440,735**	**94,501,549**	**1,109,846,847**
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	90,450,000	1,190,373,743	--	1,280,823,743
Disposals (sale and redemption)	(48,849,746)	(1,259,590,621)	(18,745,842)	(1,327,186,209)
Change in the fair value of financial assets	(17,497,897)	31,907,834	--	14,409,937
Change in amortized cost of the financial assets	--	29,999,042	(2,085,660)	27,613,382
Bonus shares acquired	--	8,918,981	--	9,218,981
Balance at the end of the period	**140,006,920**	**901,049,714**	**73,670,047**	**1,114,726,681**

	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**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

Details of the financial assets issued by related parties of the Group's are as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets - Private sector bonds	35,430,000	34,975,900	35,785,699	35,785,699
Financial assets held for trading - Investment funds		106,660,295	124,230,603	124,230,603
Available for sale financial assets - Investment funds		164,298,343	165,831,625	165,831,625
Available for sale financial assets - Equity shares		37,486,872	65,096,978	65,096,978
Total		**343,421,410**	**390,944,905**	**390,944,905**

	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**

As at 31 December 2014 and 2013, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2014			
	Face value	**Cost**	**Fair value**	**Carrying value**
Available for sale financial assets *(Note 17)*	10,000,000	9,801,651	10,145,962	10,145,962
Held to maturity financial assets *(Note 17)*	55,937,785	57,921,026	74,133,508	73,670,047
Total	**65,937,785**	**67,722,677**	**84,279,470**	**83,816,009**

	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**

12 Loans and receivables

	31 December 2014	**31 December 2013**
Receivables from main operations *(Note 4.2)*	971,491,906	953,641,241
Prepaid taxes and funds *(Note 19), (Note 4.2)*	10,608,131	17,679,207
Income accruals *(Note 4.2)*	20,722,572	15,491,016
Other receivables *(Note 4.2)*	4,001,814	3,096,793
Due from related parties *(Note 4.2)*	--	72,324
Other current asset *(Note 4.2)*	2,359,674	1,094,866
Total	**1,009,184,097**	**991,075,447**
Short-term receivables	1,009,184,097	991,075,447
Medium and long-term receivables	--	--
Total	**1,009,184,097**	**991,075,447**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014 and 2013, receivables from main operations are detailed as follows:

	31 December 2014	31 December 2013
Receivables from insurance companies	92,217,539	42,359,644
Receivables from reinsurance companies *(Note 10)*	15,749,171	58,450,134
Receivables from agencies, brokers and intermediaries	52,002,343	40,684,719
Total receivables from reinsurance operations, net	**159,969,053**	**141,494,497**
Receivables from agencies, brokers and other intermediaries	624,433,183	671,650,433
Long term receivable which is bank guarantee and three months credit card	63,044,183	
Receivables from policyholders	33,242,694	35,367,913
Salvage and subrogation receivables *(Note 2.21)*	30,648,790	29,179,630
Total receivables from insurance operations, net	**751,368,850**	**736,197,976**
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	67,831,070	85,423,846
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(7,677,067)	(9,475,078)
Doubtful receivables from main operations - premium receivables	38,440,353	25,287,994
Provision for doubtful receivables from main operations - premium receivables	(38,440,353)	(25,287,994)
Doubtful receivables from insurance operations - subrogation receivables	86,645,265	88,458,511
Provisions for doubtful receivables from insurance operations - subrogation receivables	(86,645,265)	(88,458,511)
Receivables from main operations	**971,491,906**	**953,641,241**

As at 31 December 2014 and 2013, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2014	31 December 2013
Letters of guarantees	77,412,426	153,668,419
Mortgage notes	71,599,108	71,636,758
Other guarantees	15,188,186	12,620,807
Government bonds and treasury bills	2,976,479	2,939,585
Total	**167,176,199**	**240,865,569**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 38,440,353 for main operations (31 December 2013: TL 36,205,341) and TL 63,177 (31 December 2013: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2013: None).

c) Provision for subrogation receivables: TL 94,322,332 (31 December 2013: TL 87,016,242).

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 2014, the Group does not have derivative financial instruments (31 December 2013: None).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

14 Cash and cash equivalents

As at 31 December 2014 and 2013, cash and cash equivalents are as follows:

	31 December 2014		31 December 2013	
	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	53,676	62,280	62,280	83,735
Bank deposits	2,098,910,576	1,505,408,327	1,505,408,327	1,487,717,553
Cheques given and payment orders	(171,519)	(1,025,984)	(1,025,984)	(1,104,472)
Bank guaranteed credit card receivables with maturities less than three months	249,449,440	252,850,367	252,850,367	159,051,422
Cash and cash equivalents in the balance sheet	**2,348,242,173**	**1,757,294,990**	**1,757,294,990**	**1,645,748,238**
Bank deposits - blocked (*)	(223,171,910)	(151,508,738)	(151,508,738)	(125,967,207)
Time deposits with maturities longer than 3 months	(414,971,615)	(259,281,663)	(259,281,663)	(631,832,582)
Interest accruals on banks deposits	(6,235,597)	(3,969,446)	(3,969,446)	(4,657,211)
Cash and cash equivalents presented in the statement of cash flows	**1,703,863,051**	**1,342,535,143**	**1,342,535,143**	**883,291,238**

(*) As at 31 December 2014TL 223,171,410 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities (31 December 2013: TL 151,508,238) *(Note 17).*

As at 31 December 2014 and 2013, bank deposits are further analyzed as follows:

	31 December 2014	31 December 2013
Foreign currency denominated bank deposits		
- time deposits	267,015,501	219,236,891
- demand deposits	9,481,120	18,303,570
Bank deposits in Turkish Lira		
- time deposits	1,820,083,470	1,263,276,224
- demand deposits	2,330,485	4,591,642
Cash at banks	**2,098,910,576**	**1,505,408,327**

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 2014 and 2013, the shareholding structure of the Company is presented below:

	31 December 2014		31 December 2013	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505,810,925	76.64	471,323,817	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	36,163,765	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı (*)	22,240,456	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	15,310,652	2.49
Other	7,122,753	1.08	6,637,111	1.08
Paid in capital	**660,000,000**	**100.00**	**615,000,000**	**100.00**

(*) All equity shares nominal valued TL 22,240,456 (31 December 2013: TL 20,724,061) and at the rate of 3.37% owned by T.C. Başbakanlık Hazine Müsteşarlığı has been transferred to T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı and recorded to share ledger as of 24 March 2014 in accordance with the Board of Directors decision dated 24 March 2014 and numbered 1204.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

As at 31 December 2014, the issued share capital of the Group is TL 660,000,000 (31 December 2013: TL 615,000,000) and the share capital of the Group consists of 66,000,000,000 (31 December 2013: 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 2014 and 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 2014	31 December 2013
Legal reserves at the beginning of the period	**76,312,898**	**75,456,222**
Transfer from profit	1,056,418	856,676
Legal reserves at the end of the period	**77,369,316**	**76,312,898**

As at 31 December 2014 and 2013, "Other Reserves and Retained Earnings" includes only extraordinary reserves.

	31 December 2014	31 December 2013
Other profit reserves	25,322,878	25,325,325
Extraordinary reserves	12,047,517	16,896,500
Other capital reserves	5,048,614	4,677,381
Other earnings and losses	(381,064)	(648,686)
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	**(29,022,104)**	**(24,809,529)**

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 2014, tax exempt gain from participation shares and real estate sale amounting to TL 5,048,614 (31 December 2013: TL 4,677,381) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2014	31 December 2013
Extraordinary reserves at the beginning of the period	**16,896,500**	**17,420,430**
Transfer from profit	(4,848,983)	(523,930)
Extraordinary reserves at the end of the period	**12,047,517**	**16,896,500**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, the earthquake provision provided in accordance with this circular is TL 25,322,878 (31 December 2013: TL 25,325,325).

As of 31 December 2014, in accordance with the revision of TAS 19 TL (381,064) (31 December 2013: 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 799,260 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 2014, total amount of statutory reserves allocated as mentioned method is TL 4,441,017 (31 December 2013: TL 43,612,652).In the current period TL 328,365 fund is provided from 2014 profit. As at 31 December 2014, total amount of statutory reserves allocated as mentioned method is TL 39,500,000. The registration of the increase has been completed as of 7 April 2014. TL 328,365 amounted of funds have been allocated from the current year 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 2014, foreign currency translation reserve amounting to TL 11,907,682 loss (31 December 2013: TL 9,246,073 loss) stems from Singapore Branch whose functional currency is US Dollars.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

(Currency: Turkish Lira (TL))

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

Valuation of financial assets

As at 31 December 2014and2013, movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2014	31 December 2013
Fair value reserves at the beginning of the period	**18,869,209**	**51,655,758**
Change in the fair value during the period *(Note 4,2)*	20,704,059	(20,976,221)
Resulted from equity accounted associate *(Note 4,2)*	6,313,825	(7,111,853)
Net gains transferred to the statement of income *(Note 4,2)*	3,522,062	(4,698,475)
Fair value reserves at the end of the period	**49,409,155**	**18,869,209**

16 Other reserves and equity component of DPF

As at 31 December 2014 and 2013, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2014 and 2013, 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*.

As at 31 December 2014 and 2013, technical reserves of the Group' are as follows:

	31 December2014	31 December 2013
Reserve for unearned premiums, gross	1,820,412,103	1,747,176,975
Reserve for unearned premiums, ceded *(Note 10)*	(254,801,924)	(254,300,451)
Reserve for unearned premiums, SSI share	(36,692,791)	(34,755,134)
Reserves for unearned premiums, net	**1,528,917,388**	**1,458,121,390**
Provision for outstanding claims, gross	1,934,733,354	1,481,869,505
Provision for outstanding claims, ceded *(Note 10)*	(187,370,933)	(113,077,255)
Provision for outstanding claims, net	**1,747,362,421**	**1,368,792,250**
Provision for unexpired risk	90,715,281	26,947,541
Provision for unexpired risk, ceded	(10,259,386)	(9,172,016)
Provision for outstanding claims, net	**80,455,896**	**17,775,525**
Equalization provision, net [(*)]	83,054,021	66,371,127
Other technical provisions, net	**83,054,021**	**66,371,127**
Life mathematical provisions	**368,342**	**641,636**
Total technical provisions, net	**3,440,158,068**	**2,911,701,928**
Short-term	3,357,104,047	2,845,330,801
Medium and long-term	83,054,021	66,371,127
Total technical provisions, net	**3,440,158,068**	**2,911,701,928**

[(*)] Net losses (after reinsurance resulted from earthquakes occurred in 2014amounting to TL 27,076,935 are decreased from prior periods' equalization provision based on regulation (2013: TL 23,840,767).

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

As at 31 December 2014 and 2013, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2014			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI Share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,747,176,975	(254,300,451)	(34,755,134)	1,458,121,390
Premiums written during the period	3,868,871,562	(644,304,940)	(74,102,040)	3,150,464,582
Premiums earned during the period	(3,795,636,434)	643,803,467	72,164,383	(3,079,668,584)
Reserve for unearned premiums at the end of the period	**1,820,412,103**	**(254,801,924)**	**(36,692,791)**	**1,528,917,388**

	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 2014		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1,481,869,505	(113,077,255)	1,368,792,250
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,564,290,665	(195,150,707)	2,369,139,958
Claims paid during the period	(2,111,426,816)	120,857,029	(1,990,569,787)
Provision for outstanding claims at the end of the period	**1,934,733,354**	**(187,370,933)**	**1,747,362,421**

	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**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 December2014		
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits *(Note 14)*		222,697,267	223,171,410
Financial assets (*) *(Note 11)*		84,612,376	83,816,009
Total	**282,343,518**	**307,309,643**	**306,987,419**

	31 December 2013		
	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**

(*) As at 31 December 2014, 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 2014 (31 December 2013) will be through the calculated amounts as of 30 June 2014 (30 June 2013), 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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, short-term prepaid expenses amounting to TL 294,618,259 (31 December 2013: TL 278,786,333) consist of deferred production expenses; deferred commission expenses amounting to TL 289,357,775 (31 December 2013: TL 272,881,015) and other prepaid expenses amounting to TL 5,260,484 (31 December 2013: TL 5,905,318). Long-term prepaid expenses amounting TL 3,562,038 (31 December 2013: TL 34,671) are composed of other prepaid expenses.

	31 December 2014	31 December 2013
Deferred commission expenses at the beginning of the period	272,881,015	249,836,313
Commissions accrued during the period *(Note 32)*	631,085,514	591,321,889
Commissions expensed during the period (*)	(614,608,754)	(568,277,187)
Deferred commission expenses at the end of the period	**289,357,775**	**272,881,015**

(*) 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 614,608,754 *(Note 32)*.

Individual pension funds

None.

18 Investment contract liabilities

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

19 Trade and other payables and deferred income

	31 December 2014	31 December 2013
Payables from main operations	333,218,811	348,117,231
Other payables	48,001,148	56,847,391
Short/long term deferred income and expense accruals	75,848,667	58,234,314
Taxes and other liabilities and similar obligations	28,779,229	28,647,704
Due to related parties *(Note 45)*	81,488	86,156
Total	**485,929,343**	**491,932,796**
Short-term liabilities	485,837,260	491,932,796
Long-term liabilities	92,083	--
Total	**485,929,343**	**491,932,796**

As at 31 December 2014, other payables amounting to TL 48,001,148 (31 December 2013: TL 56,847,391) consist of treatment cost payables to SSI amounting to TL 16,375,984 (31 December 2013: TL 25,801,332), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 28,666,170 (31 December 2013: TL 27,966,606) and deposits and guarantees received amounting to TL 2,958,994 (31 December 2013: TL 3,079,453).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 34,699,722 (31 December 2013: TL 30,341,851) *(Note 10)*. Expense accruals and deferred income details are presented below:

	31 December 2014	31 December 2013
Provision for tax assessment	18,400,102	7,615,549
Personnel premium provision	9,475,316	8,942,989
Security fund provision	7,182,519	6,180,307
Agency remuneration provision	3,356,650	4,300,000
Sliding scale commission provision *(Note 10)*	1,359,739	649,466
Deferred rent income	175,194	104,930
Other accruals	1,107,342	99,222
Deferred income and expense accruals	**41,056,862**	**27,892,463**

Payables arising from main operations of the Group as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Payables to reinsurance companies *(Note 10)*	218,545,652	250,847,512
Payables to agencies, brokers and intermediaries	30,052,668	29,888,503
Cash deposited by insurance and reinsurance companies	8,514,584	4,110,433
Total payables arising from insurance operations	**257,112,904**	**284,846,448**
Payables arising from other operating activities	76,105,907	63,270,783
Payables arising from main operations	**333,218,811**	**348,117,231**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2014	31 December 2013
Corporate tax liabilities	(21,081,960)	--
Taxes paid during the period	31,690,091	17,679,207
Corporate tax assets, net	**10,608,131**	**17,679,207**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

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

20 Financial liabilities

None (31 December 2013: None).

21 Deferred taxes

As at 31 December 2014 and 2013, deferred tax assets and liabilities are attributable to the following:

	31 December 2014	31 December 2013
	Deferred tax assets/(liabilities)	**Deferred tax assets/(liabilities)**
Carried forward tax losses *(Not 2.18)*	13,968,912	19,898,643
Provision for the pension fund deficits	5,666,145	7,263,205
Equalization provision	9,259,358	6,660,127
Provisions for employee termination benefits	3,973,165	3,750,364
Reserve for unexpired risks	16,091,179	3,554,952
Income accruals	(3,597,829)	(2,880,863)
Other provisions	2,539,062	2,445,686
Provision for subrogation receivables	1,535,413	1,895,016
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,416,022)	(1,450,880)
Discount of receivables and payables	(93,589)	88,322
Subrogation receivables from third parties	(965,401)	(603,708)
Valuation differences in financial assets	(2,800,691)	508,561
Other	(1,369,677)	(522,879)
Deferred tax assets, net	**41,790,025**	**40,606,546**

As at 31 December 2014, 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.

	31 December 2014	31 December 2013
31 December 2016	69,844,562	95,828,488
Total	**69,844,562**	**95,828,488**

As of 31 December 2013 Anadolu Sigorta has deductible tax losses amounting to TL 3,664,725 which will expire in 2017. This amount has been used in 2014.

Movement of deferred tax assets as at 31 December 2014 and 2013 are given below:

	31 December 2014	31 December 2013
Opening balance at 1 January	**40,606,546**	**53,565,380**
Recognized in profit or loss	7,895,427	(20,539,972)
Recognized in equity	(6,711,948)	7,581,138
Closing balance at 31 December	**41,790,025**	**40,606,546**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 Gazzette 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 Gazzette 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.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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 28,330,725 (31 December 2013: TL 36,316,026) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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. Because of the sale of real estate which included into fund properties on prior period, 'Provision for Pension Fund Deficits' balance has been decreased in current period. At 31 December 2014 and 2013, technical deficit from pension funds comprised the following:

	31 December 2014	31 December 2013
Net present value of total liabilities other than health	(85,239,925)	(75,085,832)
Net present value of insurance premiums	15,749,955	14,130,474
Net present value of total liabilities other than health	**(69,489,970)**	**(60,955,358)**
Net present value of health liabilities	(9,900,232)	(12,130,190)
Net present value of health premiums	8,632,751	7,744,271
Net present value of health liabilities	**(1,267,481)**	**(4,385,919)**
Pension fund assets	**42,426,726**	**29,025,251**
Amount of actuarial and technical deficit	**(28,330,725)**	**(36,316,026)**

Plan assets are comprised of the following items:

	31 December 2014	31 December 2013
Properties	--	18,270,000
Cash and cash equivalents	36,076,138	3,658,902
Associates	6,193,278	6,995,082
Securities portfolio	--	4,786
Other	157,310	96,481
Total plan assets	**42,426,726**	**29,025,251**

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 2014 and 2013; the provisions for other risks are disclosed as follows:

	31 December 2014	31 December 2013
Provision for pension fund deficits *(Note 22)*	28,330,725	36,316,026
Provision for employee termination benefits	18,432,669	17,564,332
Provision for unused vacation	1,433,153	1,187,490
Total provision for other risks	**48,196,547**	**55,067,848**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

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

Movement of provision for employee termination benefits during the period is presented below:

	31 December 2014	31 December 2013
Provision at the beginning of the period	17,564,332	15,179,424
Interest cost *(Note 47)*	1,606,697	1,142,263
Service cost *(Note 47)*	1,293,444	1,302,464
Payments during the period *(Note 47)*	(1,275,266)	(1,148,932)
Actuarial differences *(Note 47)*	(756,538)	1,089,113
Provision at the end of the period	**18,432,669**	**17,564,332**

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 2014		31 December 2013	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,801,752)	(1,983,768,035)	(6,596,545)	(1,727,239,776)
Changes in provision for outstanding claims, net off reinsurers' share	(943,205)	(377,626,966)	(407,807)	(250,623,217)
Changes in reserve for unearned premium, net off reinsurers' share	610,995	(71,406,993)	(389,342)	(198,551,716)
Change in equalization provision	79,365	(16,762,259)	(265,425)	(15,685,103)
Change in life mathematical provisions, net off reinsurers' share	273,294	--	378,443	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	(62,680,371)	--	(11,880,697)
Total	**(6,781,303)**	**(2,512,244,624)**	**(7,280,676)**	**(2,203,980,509)**

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 2014

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

32 Operating expenses

For the years ended 31 December 2014 and 2013, the operating expenses are disclosed as follows:

	31 December 2014		31 December 2013	
	Life	**Non life**	**Life**	**Non life**
Commission expenses *(Note 17)*	7,617,519	606,991,235	9,126,591	559,150,596
Commissions to the intermediaries accrued during the period (Note 17)	*7,973,014*	*623,112,500*	*9,243,376*	*582,078,513*
Changes in deferred commission expenses (Note 17)	*(355,495)*	*(16,121,265)*	*(116,785)*	*(22,927,917)*
Employee benefit expenses *(Note 33)*	772,694	139,603,175	847,224	125,663,723
Foreign exchange losses	122,711	18,868,395	130,722	22,447,446
Administration expenses	162,680	77,182,973	20,922	77,341,542
Commission income from reinsurers *(Note 10)*	(161,755)	(69,805,444)	(66,285)	(75,212,165)
Commission income from reinsurers accrued during the period (Note 10)	*(173,576)*	*(60,811,918)*	*(88,165)*	*(77,955,964)*
Change in deferred commission income (Note 10)	*11,821*	*(8,993,526)*	*21,880*	*2,743,799*
Advertising and marketing expenses	--	13,987,613	--	10,695,100
Outsourced benefits and services	27,327	9,371,612	--	2,585,347
Other	(239,652)	4,717,050	5	22,799,818
Total	**8,301,524**	**800,916,609**	**10,059,179**	**745,471,407**

33 Employee benefit expenses

For the years ended 31 December 2014 and 2013, employee benefit expenses are disclosed as follows:

	31 December 2014		31 December 2013	
	Life	**Non life**	**Life**	**Non life**
Wages and salaries	522,125	99,792,172	543,890	89,754,008
Employer's share in social security premiums	168,276	22,660,731	87,881	18,873,566
Pension fund benefits	82,293	4,305,878	215,453	3,137,892
Other	--	12,844,394	--	13,898,257
Total *(Note 32)*	**772,694**	**139,603,175**	**847,224**	**125,663,723**

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

35 Income tax expense

Income tax expense in the accompanying consolidated financial statements is as follows:

	31 December 2014	31 December 2013
Corporate tax expense:		
Corporate tax provision	(21,081,960)	--
Deferred taxes:		
Origination and reversal of temporary differences	7,895,427	(20,539,972)
Total tax expense	**(13,186,533)**	**(20,539,972)**

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 2014 and 2013 is as follows:

	31 December 2014		31 December 2013	
Profit before taxes	**104,831,639**	**Tax rate (%)**	**120,526,022**	**Tax rate (%)**
Taxes on income per statutory tax rate	20,966,328	20.00	24,105,204	20.00
Tax exempt income	(7,954,037)	(7.59)	(6,571,112)	(5.45)
Non-deductible expenses	174,242	0.17	3,005,880	2.49
Total tax expense recognized in consolidated profit or loss	**13,186,533**	**12.58**	**20,539,972**	**17.04**

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 2014	31 December 2013
Net profit for the period	91,645,106	99,986,050
Weighted average number of shares	66,000,000,000	66,000,000,000
Earnings per share (TL)	0.00138856	0.00151494

Capital increase performed with the internal sources and increase in number of shares is used for calculating the prior period's earnings per share.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 can not be divided, profit can not be transferred to next year and share of profit can not 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 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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 2014, total amount of the claims that the Group face is TL 1,040,392,000 in gross (31 December 2013: TL 726,988,000), The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2014, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 194,259,000 (31 December 2013: TL 206,337,000).

"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 3,801,378 for tax assessments, also due to a precautionary condition the company has made a provision to the amount of TL 15,489,301 (31 December 2013: TL7,615,549).

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2.1 million (actual tax), and TL 3.1 million tax penalty is announced by reason to tax salvage operations not subject to the banking and insurance transactions tax. The company does not make any provision for this tax penalty because of thinking that the Company's operations are in line with the local regulations.

"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 date of this report, there are legal 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 were made to relevant parties. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011. As of the date of this report, the Company has reserved provision amounted TL 2,910,801 for the payment orders received (31 December 2013: None).

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	31 December 2014	**31 December 2013**
Within one year	8,225,284	6,226,305
Between one to five years	4,950,268	7,725,700
More than 5 years	--	--
Total of minimum rent payments	**13,175,552**	**13,952,005**

44 Business combinations

None.

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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

The related party balances as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Investment funds founded by İş Portföy Yönetimi A.Ş. (*Note 11*)	233,371,896	133,352,802
Bonds issued by İş Bankası A.Ş. (*Note 11*)	--	122,028,890
Equity shares of the related parties (*Note 11*)	65,096,978	52,870,099
Investment funds founded by İşbank GmbH (*Note 11*)	28,398,072	13,944,765
Investment funds founded by İş Yatırım Menkul Değerler A.Ş.(*Note 11*)	9,830,300	--
Bonds issued by İş Yatırım Menkul Değerler A.Ş. (*Note 11*)	15,972,195	13,588,729
Investment funds founded by İş Bankası A.Ş. (*Note 11*)	9,618,449	5,405,505
Bonds issued by İş Finansal Kiralama A.Ş. (*Note 11*)	12,320,065	18,881,470
Investment funds founded by İşbank GmbH (*Note 11*)	16,336,950	--
Financial assets	**390,944,905**	**360,072,260**
Türkiye İş Bankası A.Ş	834,620,279	1,103,365,968
Other	822	13,158
Banks	**834,621,101**	**1,103,379,126**
Türkiye İş Bankası AŞ	91,802,800	76,454,603
Axa Sigorta AŞ	7,655,182	7,348,938
Şişecam Sigorta Aracılık Hizmetleri AŞ	2,924,252	5,743,294
Groupama Sigorta AŞ	1,689,735	529,594
Anadolu Hayat	679,124	118,698
Ziraat Hayat ve Emeklilik	433,125	631,966
Trakya Cam Sanayii AŞ	167,971	
İstanbul Umum Sigorta AŞ	105,003	89,576
Ergo Sigorta AŞ	18,246	18,245
Allianz Sigorta AŞ	--	2,334,720
Ziraat Sigorta AŞ	--	914,258
Receivables from main operations	**105,475,438**	**94,183,892**
Due from personnel	--	72,324
Due from related parties	**--**	**72,324**
Türkiye İş Bankası AŞ	7,082,553	5,900,234
Ergo Sigorta AŞ	3,619,529	6,290,123
Güven Sigorta TAŞ	2,192,741	746,997
Allianz Sigorta AŞ	751,048	37,892
Ziraat Sigorta AŞ	352,262	--
Groupama Sigorta AŞ	60,224	57,003
Axa Sigorta AŞ	54,833	52,740
İstanbul Umum Sigorta AŞ	44,343	41,830
Şişecam Sigorta Aracılık Hizmetleri AŞ	23,437	365,739
AvivaSa Emeklilik AŞ	--	372
Payables from main operations	**14,180,970**	**13,492,930**
Due to shareholders	53,738	72,450
Due to other related parties	27,750	13,706
Due to related parties	**81,488**	**86,156**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

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

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
İş Bankası	328,891,626	261,701,058
Axa Sigorta AŞ	43,051,681	40,679,330
Şişecam Sigorta Aracılık Hizmetleri AŞ	41,316,107	38,432,938
Ergo Sigorta AŞ	17,563,499	20,126,753
İş Finansal Leasing-premium written	17,077,324	--
Groupama Sigorta AŞ	12,215,432	9,227,875
Ziraat Sigorta AŞ	9,462,839	6,668,139
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	2,048,792	36
Ziraat Hayat ve Emeklilik	1,949,018	2,236,068
Allianz Sigorta AŞ	1,001,533	29,752,319
Anadolu Hayat	859,473	2,682,753
Premium written via TSKB	101,511	--
AvivaSa Emeklilik AŞ	(382)	147,535
Premiums received	**475,538,453**	**411,654,804**
Ergo Sigorta AŞ	10,111	12,818
Groupama Sigorta AŞ	7,992	3,615
Axa Sigorta AŞ	3,447	1,816
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,359	591
Allianz Sigorta AŞ	90	18
İstanbul Umum Sigorta AŞ	34	4
Premiums ceded	**23,033**	**18,862**
Axa Sigorta AŞ	399	(968)
İstanbul Umum Sigorta AŞ	(2)	--
Allianz Sigorta AŞ	(4)	2
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(182)	(377)
Ergo Sigorta AŞ	(330)	(1,721)
Groupama Sigorta AŞ	(2,839)	(2,096)
Commissions received	**(2,958)**	**(1,718)**
İş Bankası	33,650,040	(23,198,017)
Şişecam Sigorta Aracılık Hizmetleri AŞ	8,674,189	(7,353,671)
Axa Sigorta AŞ	7,705,485	7,453,799
Ergo Sigorta A.Ş	4,382,862	3,206,199
Ziraat Sigorta AŞ	2,259,787	1,584,204
Groupama Sigorta AŞ	1,968,242	1,569,297
Allianz Sigorta AŞ	1,812,204	7,208,680
Anadolu Hayat	263,521	293,709
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(1)	(16,700)
AvivaSa Emeklilik AŞ	(191)	116,677
İş Finansal Kiralama	(3,240,935)	--
Commissions given	**57,475,203**	**(9,135,823)**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

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

	31 December 2014	31 December 2013
Groupama Sigorta AŞ	28,775,974	5,083,342
Ergo Sigorta AŞ	16,418,632	18,813,359
Axa Sigorta AŞ	12,458,213	29,923,899
Allianz Sigorta AŞ	9,570,599	10,687,045
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	4,307,333	1,255,493
Ziraat Sigorta A.Ş.	2,986,945	3,127,877
Ziraat Hayat ve Emeklilik	735,576	1,447,702
Anadolu Hayat	100,216	125,444
AvivaSa Emeklilik AŞ	54,000	97,033
Claims paid	**75,407,488**	**70,561,194**
Groupama Sigorta AŞ	233,044	164,896
Ergo Sigorta AŞ	211,383	75,352
Axa Sigorta AŞ	133,552	118,737
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	77,160	62,798
İstanbul Umum Sigorta AŞ	16,835	15,759
Allianz Sigorta AŞ	14,241	12,111
Reinsurance's share of claims paid	**686,215**	**449,653**
Allianz Sigorta AŞ	370,011	136,473
Groupama Sigorta AŞ	51,753	134,495
Ziraat Sigorta A.Ş.	6,349	24,875
Anadolu Hayat	823	2,869
AvivaSa Emeklilik AŞ	35	122
Ergo Sigorta AŞ	(47,895)	612,076
Axa Sigorta AŞ	(63,408)	1,422,610
Other income	**317,668**	**2,333,520**
Ergo Sigorta AŞ	353,710	323,749
Allianz Sigorta AŞ	209,265	82,705
Axa Sigorta AŞ	187,955	254,596
Groupama Sigorta AŞ	36,872	22,614
Ziraat Sigorta A.Ş.	7,444	5,750
Ziraat Hayat ve Emeklilik	7,229	2,331
Anadolu Hayat	4,060	465
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	33	--
AvivaSa Emeklilik AŞ	5	16
Other expenses	**806,573**	**692,226**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements
As at 31 December 2014

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

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

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 2014 and 2013, details of discount and provision expenses are as follows:

	31 December 2014	31 December 2013
Provision expense for doubtful receivables *(Note 4.2)* (*)	(11,339,113)	(16,204,729)
Provision for pension fund deficits *(Note 23)*	7,985,301	(5,220,631)
Provision expense for employee termination benefits *(Note 23)*	(1,624,875)	(1,295,795)
Provision expenses for unused vacation *(Note 23)*	(245,663)	(338,452)
Provision expenses for tax assessments *(Note 42)*	(10,784,553)	(7,615,549)
Other provision expenses *(Note 4.2)* (*)	804	1,798
Provision expenses	**(16,008,099)**	**(30,673,358)**

(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 11,339,113 (31 December 2013: TL 16,373,929) and there is not any provision expense on doubtful receivables from other receivables *(Note 4.2)* (31 December 2013: TL 169,200).

	31 December 2014	31 December 2013
Rediscount income/(expense) from main operations receivables	12,637,725	(10,487,709)
Rediscount income/(expense) from main operations payables	(15,657,400)	12,868,639
Total of rediscounts	**(3,019,675)**	**2,380,930**

Content Information

Millî Reasürans T.A.Ş.

Harbiye Mahallesi Maçka Caddesi No: 35
34367 Şişli - İstanbul/TURKEY

Phone +90 (0212) 231 47 30
Fax +90 (0212) 230 86 08
E-mail info@millire.com
millire@millire.com

Singapore Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Phone +65 6499 9340
Fax +65 6534 2884
E-mail kc.chew@millire.com

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

ISBANK Subsidiary | TÜRKİYE İŞ BANKASI