



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

Millî Reasürans Türk Anonim Şirketi

31 December 2013

Consolidated Financial Statements

Together With

Independent Auditors' Report Thereon

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish)*

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

20 February 2014

*This report includes 2 pages of independent auditors'
report and 90 pages of financial information
together with their explanatory notes.*



**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
Internet www.kpmg.com.tr

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1.1)**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Introduction

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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



Independent Auditors' Opinion

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

İstanbul, 20 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Alper Güvenç, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

As explained in *Note 2.1.1*, the accompanying consolidated 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.

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

Istanbul, 20 February 2014

Şule SOYLU
Group Manager

Ertan TAN
Actuary

Kemal ÇUHACI
Assistant
General Manager

Hasan Hulki YALÇIN
General Manager

CONTENTS	PAGE:
CONSOLIDATED BALANCE SHEET.....	1-5
CONSOLIDATED STATEMENT OF INCOME.....	6-8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION.....	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	12-90
NOTE 1 GENERAL INFORMATION	12-15
NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	16-42
NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS	43
NOTE 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK	44-58
NOTE 5 SEGMENT REPORTING	58
NOTE 6 TANGIBLE ASSETS	59-60
NOTE 7 INVESTMENT PROPERTIES.....	61
NOTE 8 INTANGIBLE ASSETS	61-62
NOTE 9 INVESTMENTS IN ASSOCIATES.....	62
NOTE 10 REINSURANCE ASSETS AND LIABILITIES	63
NOTE 11 FINANCIAL ASSETS.....	64-67
NOTE 12 LOANS AND RECEIVABLES.....	68-69
NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS.....	69
NOTE 14 CASH AND CASH EQUIVALENTS	69
NOTE 15 EQUITY	70-73
NOTE 16 OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION....	73
NOTE 17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS	74-77
NOTE 18 INVESTMENT CONTRACT LIABILITIES	77
NOTE 19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME	78
NOTE 20 FINANCIAL LIABILITIES	79
NOTE 21 DEFERRED TAX.....	79
NOTE 22 RETIREMENT BENEFIT OBLIGATIONS	80-81
NOTE 23 PROVISION FOR OTHER LIABILITIES AND CHARGES.....	82
NOTE 24 NET INSURANCE PREMIUM	82
NOTE 25 FEE REVENUE.....	82
NOTE 26 INVESTMENT INCOME	82
NOTE 27 NET INCOME ACCRUAL ON FINANCIAL ASSETS.....	83
NOTE 28 ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS.....	83
NOTE 29 INSURANCE RIGHTS AND CLAIMS.....	83
NOTE 30 INVESTMENT CONTRACT BENEFITS	83
NOTE 31 OTHER EXPENSES	83
NOTE 32 OPERATING EXPENSES	83
NOTE 33 EMPLOYEE BENEFIT EXPENSES	84
NOTE 34 FINANCIAL COSTS.....	84
NOTE 35 INCOME TAX	84
NOTE 36 NET FOREIGN EXCHANGE GAINS	84
NOTE 37 EARNINGS PER SHARE	85
NOTE 38 DIVIDENDS PER SHARE	85
NOTE 39 CASH GENERATED FROM OPERATIONS	85
NOTE 40 CONVERTIBLE BONDS	85
NOTE 41 REDEEMABLE PREFERENCE SHARES.....	86
NOTE 42 RISKS.....	86
NOTE 43 COMMITMENTS	86
NOTE 44 BUSINESS COMBINATIONS	87
NOTE 45 RELATED PARTY TRANSACTIONS	87-89
NOTE 46 SUBSEQUENT EVENTS	89
NOTE 47 OTHER.....	90

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2013
(Currency: Turkish Lira (TL))

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

ASSETS			
	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
I- Current Assets			
A- Cash and Cash Equivalents	14	1,757,294,990	1,645,748,238
1- Cash	14	62,280	83,735
2- Cheques Received		--	--
3- Banks	14	1,505,408,327	1,487,717,553
4- Cheques Given and Payment Orders	14	(1,025,984)	(1,104,472)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	252,850,367	159,051,422
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	11	1,109,846,847	703,643,135
1- Available-for-Sale Financial Assets	11	905,238,347	521,562,329
2- Held to Maturity Investments	11	94,501,549	89,590,740
3- Financial Assets Held for Trading	11	115,904,563	98,287,678
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(5,797,612)	(5,797,612)
C- Receivables from Main Operations	12	953,641,241	831,903,951
1- Receivables from Insurance Operations	12	736,197,976	603,166,176
2- Provision for Receivables from Insurance Operations	12	(9,475,078)	(9,137,211)
3- Receivables from Reinsurance Operations	12	141,494,497	163,671,348
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	85,423,846	74,203,638
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4,2,12	102,838,143	88,000,019
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(102,838,143)	(88,000,019)
D- Due from Related Parties	12	72,324	1,445,693
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	72,324	1,445,693
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	12	3,096,793	2,305,977
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	485,309	112,510
4- Other Miscellaneous Receivables	12	2,611,484	2,193,467
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	232,377
7- Provision for Other Doubtful Receivables	12	(63,177)	(232,377)
F- Prepaid Expenses and Income Accruals		294,471,200	274,562,665
1- Deferred Acquisition Costs	17	278,786,333	256,579,864
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4,2,12	15,491,016	17,791,902
4- Other Prepaid Expenses	4,2,12	193,851	190,899
G- Other Current Assets		19,694,414	21,901,283
1- Stocks to be Used in the Following Months		920,341	752,637
2- Prepaid Taxes and Funds	12,19	17,679,207	20,191,743
3- Deferred Tax Assets		--	--
4- Job Advances	12	41,221	76,468
5- Advances Given to Personnel	12	35,897	35,685
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	1,017,748	844,750
8- Provision for Other Current Assets		--	--
I- Total Current Assets		4,138,117,809	3,481,510,942

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2013
(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 2013	Audited Prior Period 31 December 2012
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4.2.12	10,908,362	9,372,557
10- Provision for Doubtful Receivables from Main Operations	4.2.12	(10,908,362)	(9,372,557)
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables		--	--
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	114,176,307	111,938,184
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	113,430,100	111,191,977
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	746,207	746,207
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	6	77,787,694	59,800,212
1- Investment Properties	6.7	48,325,615	48,325,615
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	37,913,919	37,780,674
4- Machinery and Equipments	6	32,800,391	26,268,960
5- Furniture and Fixtures	6	14,871,838	12,534,797
6- Motor Vehicles	6	2,564,806	2,515,065
7- Other Tangible Assets (Including Leasehold Improvements)	6	18,262,277	4,038,677
8- Tangible Assets Acquired Through Finance Leases	6	4,166,354	4,166,354
9- Accumulated Depreciation	6	(81,117,506)	(75,829,930)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	63,517,832	55,228,029
1- Rights	8	57,253,263	23,749,405
2- Goodwill	8	16,250,000	16,250,000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(29,281,745)	(16,488,719)
7- Advances Paid for Intangible Assets	8	19,296,314	31,717,343
G- Prepaid Expenses and Income Accruals		40,150	582,985
1- Deferred Acquisition Costs	17	34,671	564,809
2- Income Accruals		--	--
3- Other Prepaid Expenses		5,479	18,176
H- Other Non-Current Assets	21	40,606,546	53,565,380
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	40,606,546	53,565,380
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		296,128,529	281,114,790
TOTAL ASSETS		4,434,246,338	3,762,625,732

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

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Financial Liabilities			
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Installments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations	19	348,117,231	226,720,673
1- Payables Arising from Insurance Operations		240,657,122	133,512,325
2- Payables Arising from Reinsurance Operations		40,078,893	24,812,722
3- Cash Deposited by Insurance and Reinsurance Companies		4,110,433	4,233,782
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		63,270,783	64,161,844
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	19	86,156	136,523
1- Due to Shareholders		72,450	87,944
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		13,706	48,579
D- Other Payables	19	56,847,391	36,435,913
1- Deposits and Guarantees Received		3,079,453	3,215,535
2- Payables to Social Security Institution Related to Treatment Expenses		26,428,955	8,092,174
3- Other Miscellaneous Payables		27,966,606	25,207,751
4- Discount on Other Miscellaneous Payables		(627,623)	(79,547)
E- Insurance Technical Provisions	17	2,845,330,801	2,383,856,465
1- Reserve for Unearned Premiums - Net	17	1,458,121,390	1,259,180,332
2- Reserve for Unexpired Risks- Net	17	17,775,525	5,894,828
3- Life Mathematical Provisions - Net	17	641,636	1,020,079
4- Provision for Outstanding Claims - Net	17	1,368,792,250	1,117,761,226
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	28,647,704	17,222,799
1- Taxes and Funds Payable		26,837,281	15,752,881
2- Social Security Premiums Payable		1,810,423	1,469,918
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		--	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		--	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	19	58,234,314	51,052,906
1- Deferred Commission Income	10,19	30,341,851	27,576,172
2- Expense Accruals	19	27,787,533	23,349,314
3- Other Deferred Income	19	104,930	127,420
I- Other Short Term Liabilities		1,187,490	849,038
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		1,187,490	849,038
III - Total Short Term Liabilities		3,338,451,087	2,716,274,317

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

LIABILITIES			
	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
IV- Long-Term Liabilities			
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Operating Activities		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables	19	--	24,983,370
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	26,203,681
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	(1,220,311)
E-Insurance Technical Provisions	17	66,371,127	50,420,599
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	66,371,127	50,420,599
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	23	53,880,358	46,274,819
1- Provisions for Employment Termination Benefits	23	17,564,332	15,179,424
2- Provisions for Pension Fund Deficits	22,23	36,316,026	31,095,395
H-Deferred Income and Expense Accruals	19	--	16,667
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	--	16,667
I- Other Long Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		120,251,485	121,695,455

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2013
(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 2013	Audited Prior Period 31 December 2012
A- Paid in Capital		615,000,000	615,000,000
1- (Nominal) Capital	2,13,15	615,000,000	615,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	15	(4,568,692)	1,088,645
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(9,246,073)	(3,588,736)
5- Other Capital Reserves	15	4,677,381	4,677,381
C- Profit Reserves		109,907,849	144,015,548
1- Legal Reserves	15	76,312,898	75,456,222
2- Statutory Reserves	15	43,612,652	45,217,862
3- Extraordinary Reserves	15	16,896,500	17,420,430
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	18,869,209	51,655,758
6- Other Profit Reserves	15	24,676,639	25,325,325
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		--	--
1- Retained Earnings		--	--
E- Accumulated Losses		(97,983,106)	(162,597,232)
1- Accumulated Losses		(97,983,106)	(162,597,232)
F- Net Profit/(Loss) for the Year		71,800,159	63,341,662
1- Net Profit for the Period		71,428,926	63,341,662
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		371,233	--
G- Minority Shares		281,987,556	263,807,337
V- Total Equity		975,543,766	924,655,960
TOTAL EQUITY AND LIABILITIES		4,434,246,338	3,762,625,732

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2013
(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 2013	Audited Prior Period 31 December 2012
I-TECHNICAL SECTION			
A- Non-Life Technical Income		2,904,945,877	2,882,812,655
1- Earned Premiums (Net of Reinsurer Share)		2,639,919,069	2,669,893,416
1.1- Written Premiums (Net of Reinsurer Share)	17	2,850,351,482	2,630,823,968
1.1.1- Written Premiums, gross	17	3,575,410,679	3,164,071,015
1.1.2- Written Premiums, ceded	10,17	(661,091,974)	(489,384,169)
1.1.3- Written Premiums, SSI share		(63,967,223)	(43,862,878)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(198,551,716)	(48,639,137)
1.2.1- Reserve for Unearned Premiums, gross	17	(279,314,258)	(87,933,911)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	66,207,423	33,173,992
1.2.3- Reserve for Unearned Premiums, SSI share		14,555,119	6,120,782
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(11,880,697)	87,708,585
1.3.1- Reserve for Unexpired Risks, gross		(16,385,620)	98,326,618
1.3.2- Reserve for Unexpired Risks, ceded		4,504,923	(10,618,033)
2- Investment Income - Transferred from Non-Technical Section		186,338,695	205,824,998
3- Other Technical Income (Net of Reinsurer Share)		63,491,915	17,388,951
3.1- Other Technical Income, gross		63,463,725	17,387,935
3.2- Other Technical Income, ceded		28,190	1,016
4- Accrued Salvage and Subrogation Income		14,996,198	(10,294,710)
B- Non-Life Technical Expense		(2,783,727,533)	(2,861,530,567)
1- Incurred Losses (Net of Reinsurer Share)		(1,977,862,993)	(2,083,202,203)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1,727,239,776)	(1,922,798,316)
1.1.1- Claims Paid, gross	17	(1,829,279,322)	(2,022,729,707)
1.1.2- Claims Paid, ceded	10,17	102,039,546	99,931,391
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(250,623,217)	(160,403,887)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(283,018,746)	(161,080,597)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	32,395,529	676,710
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(15,685,103)	(15,278,762)
4- Operating Expenses	32	(745,471,407)	(759,306,158)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Mathematical Provisions		--	--
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		(44,708,050)	(3,743,444)
6.1- Other Technical Expense, gross		(44,708,050)	(3,743,444)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		121,018,324	21,282,088
D- Life Technical Income		21,370,999	21,192,665
1- Earned Premiums (Net of Reinsurer Share)		20,078,366	19,881,882
1.1- Written Premiums (Net of Reinsurer Share)	17	20,467,708	19,537,701
1.1.1- Written Premiums, gross	17	21,743,651	20,487,622
1.1.2- Written Premiums, ceded	10,17	(1,275,943)	(949,921)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(389,342)	344,181
1.2.1- Reserve for Unearned Premiums, gross	17	(487,433)	242,510
1.2.2- Reserve for Unearned Premiums, ceded	10,17	98,091	101,671
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		1,212,093	1,292,350
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		80,540	18,433
4.1- Other Technical Income, gross		80,540	18,433
4.2- Other Technical Income, ceded		--	--
5- Accrued Salvage and Subrogation Income		--	--

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

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

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2013
(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 2013	Audited Prior Period 31 December 2012
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		121,018,324	21,282,088
F- Net Technical Income – Life (D-E)		4,420,486	6,769,639
I- Net Technical Income – Pension Business (G-H)		–	–
J- Total Net Technical Income (C+B+I)		125,438,810	28,051,727
K- Investment Income		299,876,560	293,976,221
1- Income from Financial Assets	4.2	158,625,186	166,562,734
2- Income from Disposal of Financial Assets	4.2	27,775,982	47,111,907
3- Valuation of Financial Assets	4.2	4,350,465	31,792,127
4- Foreign Exchange Gains	4.2	73,484,048	19,646,211
5- Income from Associates	4.2	17,788,246	16,999,936
6- Income from Subsidiaries and Joint Ventures	4.2	1,925	–
7- Income from Property, Plant and Equipment	7	13,179,908	11,204,062
8- Income from Derivative Transactions	4.2	4,558,126	626,857
9- Other Investments		112,674	32,387
10- Income Transferred from Life Section		–	–
L- Investment Expense		(277,460,881)	(268,566,738)
1- Investment Management Expenses (inc. interest)	4.2	(1,472,447)	(585,732)
2- Diminution in Value of Investments	4.2	(4,677,619)	(4,837,314)
3- Loss from Disposal of Financial Assets	4.2	(23,421,773)	(10,321,479)
4- Investment Income Transferred to Non-Life Technical Section		(186,338,695)	(205,824,998)
5- Loss from Derivative Transactions	4.2	(6,499,680)	(311,150)
6- Foreign Exchange Losses	4.2	(31,379,597)	(30,693,599)
7- Depreciation and Amortization Expenses	6.8	(18,969,171)	(10,592,826)
8- Other Investment Expenses		(4,701,899)	(5,399,632)
M- Income and Expenses From Other and Extraordinary Operations		(47,868,439)	(14,058,795)
1- Provisions	47	(30,673,358)	(14,738,303)
2- Rediscounts	47	2,380,930	(723,587)
3- Specified Insurance Accounts		–	–
4- Monetary Gains and Losses		–	–
5- Deferred Taxation (Deferred Tax Assets)	35	(1,481,229)	18,378,911
6- Deferred Taxation (Deferred Tax Liabilities)	35	(19,058,743)	(17,871,089)
7- Other Income		3,684,042	1,299,886
8- Other Expenses and Losses		(2,720,081)	(404,613)
9- Prior Year's Income		–	–
10- Prior Year's Expenses and Losses		–	–
N- Net Profit for the Year		99,986,050	39,402,423
1- Profit for the Year		99,986,050	39,402,423
2- Corporate Tax Provision and Other Fiscal Liabilities	35	–	–
3- Net Profit for the Year		99,986,050	39,402,423
3.1-Groups Profit/(Loss)		71,800,159	63,341,662
3.2-Minority Shares		28,185,891	(23,939,239)
4- Monetary Gains and Losses		–	–

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013
(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 2013	Audited Prior Period 31 December 2012
A. Cash flows from operating activities			
1. Cash provided from insurance activities		2,298,465,231	2,298,465,231
2. Cash provided from reinsurance activities		1,666,562,686	1,077,980,190
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(2,422,921,501)	(2,422,921,501)
5. Cash used in reinsurance activities		(1,098,238,201)	(1,037,514,671)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		443,868,215	(83,990,751)
8. Interest paid		--	--
9. Income taxes paid		--	--
10. Other cash inflows		47,104,830	83,025,305
11. Other cash outflows		(157,275,256)	(38,062,266)
12. Net cash provided from operating activities		333,697,789	(39,027,712)
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		1,823,500	212,446
2. Acquisition of tangible assets	6, 8	(47,940,958)	(24,456,849)
3. Acquisition of financial assets	11	(1,231,797,642)	(1,058,049,202)
4. Proceeds from disposal of financial assets		801,022,292	1,087,350,189
5. Interests received		134,029,036	222,369,761
6. Dividends received		9,635,460	14,502,250
7. Other cash inflows		93,832,130	33,288,008
8. Other cash outflows		333,715,367	(429,214,879)
9. Net cash provided by / (used in) investing activities		94,319,185	(153,998,276)
C. Cash flows from financing activities			
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		--	--
5. Other cash inflows		--	--
6. Other cash outflows		--	--
7. Net cash provided by financing activities		--	--
D. Effect of exchange rate fluctuations on cash and cash equivalents		31,226,931	(89,512)
E. Net increase /(decrease) in cash and cash equivalents		459,243,905	(193,115,500)
F. Cash and cash equivalents at the beginning of the year	14	883,291,238	1,076,406,738
G. Cash and cash equivalents at the end of the year	14	1,342,535,143	883,291,238

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2013
(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 2012														
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	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
I - Balance at the end of the previous year – 31 December 2011	15	615,000,000	--	4,457,325	--	(5,367,227)	73,993,593	44,333,069	(27,018,475)	(163,886,498)	7,018,250	548,530,037	271,121,673	819,651,710
A- Capital increase (A1+A2)		--	--	--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--	--	--
B- Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--	--
C- Purchased by the Company its own shares		--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets		--	--	47,198,433	--	--	--	--	--	--	--	47,198,433	16,624,903	63,823,336
F - Currency translation adjustments		--	--	--	--	1,778,491	--	--	--	--	--	1,778,491	--	1,778,491
G - Other gains or losses		--	--	--	--	--	--	--	--	--	--	--	--	--
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year		--	--	--	--	--	--	--	--	63,341,662	--	63,341,662	(23,939,239)	39,402,423
J - Other reserves and transfers from retained earnings		--	--	--	--	--	1,462,629	884,793	3,381,562	163,886,498	(169,615,482)	--	--	--
K - Dividends paid		--	--	--	--	--	--	--	--	--	--	--	--	--
II - Balance at the end of the year – 31 December 2012	15	615,000,000	--	51,655,758	--	(3,588,736)	75,456,222	45,217,862	(23,636,913)	63,341,662	(162,597,232)	640,848,623	263,807,337	904,655,960

Audited Changes in Equity – 31 December 2013														
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	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
I - Balance at the end of the previous year – 31 December 2012	15	615,000,000	--	51,655,758	--	(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
A- Capital increase (A1+A2)		--	--	--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--	--	--
B- Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--	--
C- Purchased by the Company its own shares		--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets		--	--	(32,786,549)	--	--	--	--	(648,686)	--	--	(648,686)	--	(648,686)
F - Currency translation adjustments		--	--	--	--	(5,657,337)	--	--	--	--	--	(5,657,337)	(10,005,672)	(42,792,221)
G - Other gains or losses		--	--	--	--	--	--	--	--	--	--	--	--	--
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year		--	--	--	--	--	--	--	--	71,800,159	--	71,800,159	28,185,891	99,986,050
J - Other reserves and transfers from retained earnings		--	--	--	--	--	856,676	(1,605,210)	(523,930)	(63,341,662)	64,614,126	--	--	--
K - Dividends paid		--	--	--	--	--	--	--	--	--	--	--	--	--
III - Balance at the end of the year – 31 December, 2013	15	615,000,000	--	18,869,209	--	(9,246,073)	76,312,898	43,612,652	(24,809,539)	71,800,159	(97,983,106)	693,556,210	281,987,556	975,543,766

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Profit Distribution
For the Year Ended 31 December 2013
(Currency: Turkish Lira (TL))

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

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

^(*) Consolidated profit is not distributed by companies in Turkey in accordance with regulations in Turkey. In this context, profit distribution tables which is above belong to the Principal Parentship.

^(**) As at 31 December 2013, the Company does not have any distributable profit.

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2013

(Currency: Turkish Lira (TL))

1 General information

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

As at 31 December 2013, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the “Company”) is Türkiye İş Bankası AŞ Group (“İş Bankası”) having 76.64% of the outstanding shares.

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

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57.31% and investment increased to TL 286,550,106.

The consolidated financial statements as of 31 December 2013 include the Company and its subsidiary Anadolu Sigorta (together with “the Group”).

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

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

1.3 Business of the Company

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

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection. As at 31 December 2013, the Company serves through 2,551 agencies of which 2,468 authorized and 83 unauthorized agencies (31 December 2012: 2,726 authorized and 78 unauthorized, total 2,804).

1.4 Description of the main operations of the Company

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No.5684 (the “Insurance Law”) issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Prime Ministry-Undersecretariat of Treasury (the “Turkish Treasury”) based on the Insurance Law.

1 General information (continued)

1.4 Description of the main operations of the Company (continued)

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

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

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("ISE"). In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, Anadolu Sigorta performs its operations accordingly.

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

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

	31 December 2013	31 December 2012
Senior management	14	15
Managers	57	53
Asistant manager	128	116
Officers	632	121
Contracted personnel	42	8
Advisor	3	3
Other personnel	264	792
Total	1,140	1,108

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2013, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 8,921,163 (31 December 2012: TL 8,545,464).

1 General information (continued)

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

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

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

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

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

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

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at 31 December 2013, the Company owns 57.31% of its subsidiary, Anadolu Sigorta and Anadolu Sigorta is included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ (“Anadolu Hayat”) is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% in the consolidated financial statements as at 31 December 2013.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

1 General information (continued)

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 : Milli Reasürans Türk Anonim Şirketi

Registered address of the head office : Maçka Cad. No:35
34367 Şişli/İstanbul

The web page of the Company : www.millire.com

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

1.10 Subsequent events

None.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Group maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) in accordance with the “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies” as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (“Individual Retirement Law”).

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

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

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no 1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board.

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 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Accounting in hyperinflationary countries

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

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

Other accounting policies

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

Information regarding other accounting policies 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 Summary of significant accounting policies (continued)

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 be accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated 2 August 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Turkish Treasury to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated 12 August 2011 sent by the Turkish Treasury to the Company, prospective application as at 30 June 2011 effective from 1 January 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as at 31 December 2013, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January – 31 December 2013. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”. Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

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

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2013, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results.

2 Summary of significant accounting policies (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2013, the Company recognised the amount that arise due to change in calculation method for IBNR on General Losses branch.

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

It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. An entity applied TFRS 13 for related consolidated financial statements.

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

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

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

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

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method and Anadolu Hayat which is associate of Anadolu Sigorta is consolidated by the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat which is consolidated using equity method is presented in Note 9.

Company	Direct and Indirect Controlling Interest	Direct Controlling Interest	Total Asset	Shareholders' Equity	Prior Period Loss	Current Period Profit
Anadolu Sigorta (consolidated)	57.31 %	57.31 %	2,992,598,858	652,844,666	(48,878,904)	66,403,111

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

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

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.

2.3 Segment reporting

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

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Tangible assets (continued)

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

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2,0
Machinery and equipment	3 – 16	6,3 – 33,3
Furniture and fixtures	4 – 16	6,3 – 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5 – 10	10,0 – 20,0
Tangible assets acquired through finance leases	4 – 10	10,0 – 25,0

2.6 Investment property

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

Investment properties are measured initially at cost including transaction costs.

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

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

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

2.7 Intangible assets

The Group's intangible assets consist of computer software and goodwill.

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

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

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

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

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.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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

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

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

In the accompanying consolidated financial statements, Anadolu Hayat associate of the Group has been consolidated by using the equity method of accounting.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on asset

Impairment on financial assets

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

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Impairment on financial assets (continued)

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

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 Summary of significant accounting policies (continued)

2.13 Capital

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

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

Sources of the capital increases during the year

There is not any capital increase during the current period.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2 Summary of significant accounting policies (continued)

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 Summary of significant accounting policies (continued)

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. 31 December 2013, the Group has deductible tax losses, amounting to TL 99,493,213 (31 December 2012: TL 202,355,222).

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.

2 Summary of significant accounting policies (continued)

2.18 Income taxes (continued)

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

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

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

- a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

Employee termination benefits (continued)

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Discount rate	3.61% - 3.77%	3.18% - 3.77%
Expected rate of salary/limit increase	5.00% - 6.37%	4.40% - 5.00%
Estimated employee turnover rate	2.00% - 7.11%	2.00% - 4.08%

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Claims paid

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

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insuree. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Group provided TL 25,286,057 (31 December 2012: TL 24,077,034) subrogation receivables and recorded TL 29,179,630 (31 December 2012: TL 29,416,598) (Note 12) amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 9,475,078 (31 December 2012: TL 9,137,211) (Note 12) in accordance with circular.

For the periods ended 31 December 2013 and 2012, salvage and subrogation collected are as follows:

	31 December 2013	31 December 2012
Motor vehicles	198,341,171	225,938,923
Third Party liability for motor vehicles (MTPL)	5,275,881	2,864,013
Transportation	2,002,200	1,848,373
Fire and natural disaster	1,647,652	2,050,505
Water vehicles	751,675	195,562
Accident	548,899	189,496
Credit	355,772	45,000
General losses	85,598	311,292
Legal protection	22,461	562
Health	21,104	23,974
General Responsibility	22,584	(259,445)
Total	209,074,997	233,208,255

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Subrogation, salvage and quasi income (continued)

As at 31 December 2013 and 2012, accrued subrogation and salvage income per branches is as follows:

	31 December 2013	31 December 2012
Motor vehicles	27,506,620	21,335,128
Third party liability for motor vehicles (MTPL)	1,450,379	3,123,396
Fire and natural disaster	146,400	4,155,750
Transportation	64,907	506,363
General losses	10,291	177,210
Accident	1,033	16,693
General liability	--	56,740
Water vehicles	--	45,318
Total	29,179,630	29,416,598

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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

2.23 Dividend distribution

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

2.24 Reserve for unearned premiums

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

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

The subsidiary of the Company, Anadolu Sigorta calculated unearned premium reserve in accordance with the basis specified above.

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

2 Summary of significant accounting policies (continued)

2.24 Reserve for unearned premiums (continued)

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

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

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

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

2 Summary of significant accounting policies (continued)

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.

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

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

Branches	Milli Reasürans	Anadolu Sigorta
Fire and natural disasters	Standard Chain Ladder	Munich Chain Ladder
General losses ^(*)	Standard Chain Ladder	Munich Chain Ladder
General liability	Standard Chain Ladder	Munich Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Munich Chain Ladder
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Munich Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Breach of trust	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	Standard Chain Ladder
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)	--
Third party liability	--	Standard Chain Ladder
Big claim elimination with the Box Plot method	Not performed	Performed

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

As at 31 December 2013, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 193,676,094 and reinsurance share TL (7,596,560) using 100% of ACLM result (31 December 2012: test IBNR method, Gross IBNR: TL 49,391,050, reinsurance share: TL (7,916,046)) in the consolidated financial statements.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 53,749,627 (31 December 2012: TL 47,408,492) as IBNR and TL 6,764,302 (31 December 2012: TL 7,007,975) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2013 is within 15% - 25% range (31 December 2012: 15% - 94%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

Branch	31 December 2013		
	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
General losses	17%	1,153,064	515,357
Water vehicles	25%	973,319	569,692
Transportation	11%	361,329	333,118
Accident	18%	357,604	337,221
Legal protection	16%	7,074	7,074
Total		53,749,627	46,985,325

Branch	31 December 2012		
	Winning Ratios Used	Gross Amount Decreased	Net Amount Decreased
Third party liability for motor vehicles (MTPL)	25%	20,625,949	18,988,070
General responsibility	25%	14,072,308	13,444,219
Fire and natural disasters	23%	7,139,540	3,272,194
Motor vehicles	24%	2,659,095	2,522,249
Transportation	25%	1,096,929	1,043,413
General losses	15%	784,892	414,504
Water vehicles	25%	646,206	351,391
Accident	24%	377,701	358,605
Legal protection	19%	5,872	5,872
Total		47,408,492	40,400,517

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Circular Numbered 2011/18 “Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”

58th and 59th articles and 1st and 2nd provisional articles of the Law no 6111 on “Restructuring of certain receivables and amendment to the law of social insurance and general health insurance and certain other laws and decree laws” published in the Official Gazette numbered 27857 and has come into effect on 25 February 2011.

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, “Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents” which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 “Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”. In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2,279,273 related to treatment costs occurred before issuance of the aforementioned law, with “Paid Claims” account. The same amount is recorded as “Payable to SSI” under “Other Payables” in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2,375,923, with “Paid Claims” account. The same amount is recorded as “Payable to SSI” under “Other Payables” in the accompanying financial statements.

The Group classified total of TL 2,452,947 which includes new calculation difference over premiums written under compulsory motor third party liability insurance contracts between 25 February 2011 – 26 August 2011 per “Circular Stated Principals on Implementation Related to Collection of Health Service Fees in Connection with Traffic Accidents” stated by the Turkish Treasury as “Payable to SSI”.

The Turkish Treasury informed the Company 7.02% for motor third party liability, 2.08% for compulsory personal accident seat insurance and 15.8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 5,721,687 between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to “Other Technical Expense” as at 31 December 2013 and in accordance with the Turkish Treasury article dated 13 February 2013, amount for the year 2011 after publication date of law, TL 1,822,665 is recorded in the “Written Premiums, SSI share” account.

2 Summary of significant accounting policies (continued)

2.26 Mathematical provisions

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

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

2.27 Reserve for unexpired risk

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

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

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

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

According to the Circular numbered 2011/18, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in motor third party liability, compulsory transportation financial liability and compulsory personal accident for bus transportation branches.

According to the related test, as at the reporting date, the Group has provided net reserve for unexpired risk amounting to TL 17,775,525 in the accompanying consolidated financial statements (31 December 2012: TL 5,894,828).

2 Summary of significant accounting policies (continued)

2.28 Equalization provision

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

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

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 66,371,127 TL (31 December 2012: TL 50,420,599).

As at 31 December 2013, the Group has deducted TL 23,840,767 (31 December 2012: TL 20,170,880) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

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

2.30 Earning per share

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

2 Summary of significant accounting policies (continued)

2.31 Subsequent events

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

2.32 New standards and interpretations not yet adopted

As of 31 December 2013, a number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2013. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of TFRS 9 – *Financial instruments*, which is published by the TASB (TASB has been closed since November 2011 and duties have been transferred to the Public Oversight Accounting and Auditing Standards) on Official Gazette dated 27 April 2010 and numbered 27564. TFRS 9 – *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*. Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

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

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 2.24* – Reserve for unearned premiums
- Note 2.25* – Provision for outstanding claims
- Note 2.27* – Reserve for unexpired risks
- Note 2.28* – Equalization provision
- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 10* – Reinsurance assets/liabilities
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Note 17* – Insurance contract liabilities and reinsurance assets
- Note 17* – Deferred acquisition costs
- Note 19* – Trade and other payables and deferred income
- Note 21* – Deferred income taxes
- Note 23* – Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

Objective of managing risks arising from insurance contracts and policies used to minimize such risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Group and coverage portion transfers to policyholders and transfer conditions.

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

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.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Insurance risk concentrations

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

Branches	31 December 2013		
	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
Water vehicles	42,793,632	(10,558,036)	32,235,596
Transportation	36,401,763	(4,788,809)	31,612,954
General liability	35,844,536	(3,052,118)	32,792,418
Accident	26,733,600	(830,080)	25,903,520
Air crafts	14,495,556	(8,954,172)	5,541,384
Life	6,641,402	(44,858)	6,596,544
Credit	6,507,546	(95,441)	6,412,105
Financial losses	3,430,150	(3,489,354)	(59,204)
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
Total	1,835,920,724	(102,084,403)	1,733,836,321

Branches	31 December 2012		
	Gross total claims liability ^(*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	680,932,168	(895,515)	680,036,653
Motor vehicles liability (MTPL)	390,271,322	(123,724)	390,147,598
Fire and natural disasters	365,105,606	(54,192,967)	310,912,639
Health	227,316,529	(10,006,189)	217,310,340
General losses	224,935,776	(20,081,295)	204,854,481
Water vehicles	36,775,560	(8,602,785)	28,172,775
Accident	28,848,781	(1,149,813)	27,698,968
Transportation	29,282,574	(1,801,313)	27,481,261
General liability	27,675,052	(1,156,924)	26,518,128
Life	6,442,405	(424,101)	6,018,304
Credit	4,625,707	(95,111)	4,530,596
Air crafts	2,692,384	(9,825)	2,682,559
Financial losses	3,874,219	(1,815,453)	2,058,766
Breach of trust	198,400	(234)	198,166
Legal protection	89,463	(243)	89,220
Water Vehicles liability	55,914	--	55,914
Air crafts liability	50,253	--	50,253
Total	2,029,172,113	(100,355,492)	1,928,816,621

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

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

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

4 Management of insurance and financial risk (continued)

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.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

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

	31 December 2013	31 December 2012
Cash and cash equivalents (Note 14)	1,758,258,694	1,646,768,975
Receivables from main operations (Note 12)	953,641,241	831,903,951
Financial assets and financial investments with risks on policyholders (Note 11) ^(*)	959,403,732	478,428,280
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	113,077,255	79,668,187
Prepaid taxes and funds (Note 12)	17,679,207	20,191,743
Income accruals (Note 12)	15,491,016	17,791,902
Other receivables (Note 12)	3,096,793	2,305,977
Due from related parties (Note 12)	72,324	1,445,693
Other current asset (Note 12)	1,094,866	956,903
Total	3,821,815,128	3,079,461,611

^(*) Equity shares amounting to TL 150,443,115 are not included (31 December 2012: TL 225,214,855).

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

	31 December 2013		31 December 2012	
	Gross amount	Provision	Gross amount	Provision
Not past due	698,065,557	--	584,292,638	--
Past due 0-30 days	103,500,730	--	103,804,925	--
Past due 31-60 days	16,806,610	--	19,037,313	--
Past due 61-90 days	10,921,927	--	10,164,521	--
More than 90 days ^(*)	137,073,366	(113,746,505)	130,560,255	(97,372,576)
Total (**)	966,368,190	(113,746,505)	847,859,652	(97,372,576)

^(*) As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

^(**) Includes TL 81,315,004 (31 December 2012: TL 61,137,488) of untransferred amount collected by intermediaries and TL 29,179,630 (31 December 2012: TL 29,416,598) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having past over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 9,475,078 (31 December 2012: TL 9,137,211) are excluded from the table.

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

	31 December 2013	31 December 2012
Provision for receivables from insurance operations at the beginning of the year	97,372,576	92,288,476
Collections during the period (Note 47)	(908,822)	(721,494)
Impairment losses provided during the period (Note 47)	1,503,704	2,637,292
Impairment losses provided for subrogation – salvage receivables during the period (Note 47)	14,237,664	3,629,250
Foreign currency translation effect (Note 47)	1,541,383	(460,948)
Provision for receivables from insurance operations at the end of the year	113,746,505	97,372,576

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

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

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

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

Maturity distribution of monetary assets and liabilities:

31 December 2013	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	1,757,294,990	972,561,621	709,090,007	49,960,428	25,682,934	--
Receivables from main operations	953,641,241	147,663,312	312,144,441	343,142,423	138,705,100	11,985,965
Financial assets and financial investments with risks on policyholders (*)	959,403,732	206,234,393	29,611,898	45,938,403	82,902,924	594,716,114
Other receivables and current assets	37,361,882	33,134,109	1,781,719	2,022,968	423,086	--
Due from related parties	72,324	12,054	24,108	24,108	12,054	--
Total monetary assets	3,707,774,169	1,359,605,489	1,052,652,173	441,088,330	247,726,098	606,702,079
Liabilities						
Insurance technical provisions (**)	1,368,792,250	107,521,117	211,815,830	80,988,022	68,551,187	899,916,094
Payables arising from main operations	348,117,231	61,428,473	14,621,234	263,749,010	8,318,514	--
Provisions for other risks and expense accruals	81,667,891	3,042,211	16,214,508	915,265	--	61,495,907
Other liabilities	56,847,391	18,402,240	21,458,198	10,147,654	3,802,264	3,037,035
Provisions for taxes and other similar obligations	28,647,704	27,491,024	1,156,680	--	--	--
Due to related parties	86,156	86,156	--	--	--	--
Total monetary liabilities	1,884,158,623	217,971,221	265,266,450	355,799,951	80,671,965	964,449,036

(*) Equity shares amounting to TL 150,443,115 are not included.

(**) Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

31 December 2012	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	1,645,748,238	832,680,548	734,610,173	41,486,491	36,971,026	--
Receivables from main operations	831,903,951	121,146,154	284,891,657	262,225,189	156,601,181	7,039,770
Financial assets and financial investments with risks on policyholders (*)	478,428,280	82,097,037	23,830,664	6,720,483	97,475,848	268,304,248
Other receivables and current assets	41,246,525	36,528,986	1,257,699	754,496	2,705,344	--
Due from related parties	1,445,693	--	1,445,693	--	--	--
Total monetary assets	2,998,772,687	1,072,452,725	1,046,035,886	311,186,659	293,753,399	275,344,018
Liabilities						
Insurance technical provisions (**)	1,117,761,226	97,836,608	176,861,745	32,284,573	32,373,118	778,405,182
Payables arising from main operations	226,720,673	65,237,361	10,369,375	143,652,635	7,461,302	--
Provisions for other risks and expense accruals	69,624,133	3,123,239	20,226,075	--	--	46,274,819
Other liabilities	61,419,283	19,367,684	14,884,995	1,571,951	690,830	24,903,823
Provisions for taxes and other similar obligations	17,222,799	--	17,222,799	--	--	--
Due to related parties	136,523	121,029	--	--	--	15,494
Total monetary liabilities	1,492,884,637	185,685,921	239,564,989	177,509,159	40,525,250	849,599,318

(*) Equity shares amounting to TL 225,214,855 are not included.

(**) Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Market risk

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

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 2013	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	171,118,903	65,015,866	89,846,725	325,981,494
Cash and cash equivalents	221,840,628	12,065,700	3,679,295	237,585,623
Financial assets and financial investments with risks on policyholders	6,396,988	18,881,471	--	25,278,459
Total foreign currency assets	399,356,519	95,963,037	93,526,020	588,845,576
Liabilities:				
Payables arising from main operations	(133,464,866)	(28,622,628)	(9,631,866)	(171,719,360)
Insurance technical provisions (*)	(215,671,260)	(104,385,331)	(93,156,412)	(413,213,003)
Total foreign currency liabilities	(349,136,126)	(133,007,959)	(102,788,278)	(584,932,363)
Net on-balance sheet position	50,220,393	(37,044,922)	(9,262,258)	3,913,213
31 December 2012				
	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	124,642,349	57,735,670	64,247,148	246,625,167
Cash and cash equivalents	142,006,795	25,448,564	13,249,061	180,704,420
Financial assets and financial investments with risks on policyholders	4,257,009	21,825,556	--	26,082,565
Total foreign currency assets	270,906,153	105,009,790	77,496,209	453,412,152
Liabilities:				
Payables arising from main operations	(88,733,355)	(38,490,334)	(892,904)	(128,116,593)
Insurance technical provisions (*)	(189,612,066)	(154,181,583)	(65,894,251)	(409,687,900)
Total foreign currency liabilities	(278,345,421)	(192,671,917)	(66,787,155)	(537,804,493)
Net on-balance sheet position	(7,439,268)	(87,662,127)	10,709,054	(84,392,341)

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

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

Exposure to foreign currency risk

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

	31 December 2013		31 December 2012	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	5,022,039	5,022,039	(743,927)	(743,927)
Euro	(3,704,492)	(3,704,492)	(8,766,213)	(8,766,213)
Others	(926,226)	(926,226)	1,070,905	1,070,905
Total, net	391,321	391,321	(8,439,235)	(8,439,235)

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

Exposure to interest rate risk

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk (continued)

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

	31 December 2013	31 December 2012
Financial assets		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14) (*)	2,155,365,704	1,725,653,257
Available for sale financial assets – Government bonds – TL (Note 11)	1,482,513,115	1,464,942,898
Cash deposited to insurance and reinsurance companies (Note 12)	421,774,438	131,167,750
Available for sale financial assets – Private sector bonds – TL (Note 11)	85,423,846	74,203,638
Financial assets held for trading – Reverse repos (Note 11)	131,135,080	43,448,497
Financial assets held for trading – Eurobonds (Note 11)	26,447,255	5,542,173
Financial assets held for trading – Private sector bonds – TL (Note 11)	6,396,988	4,257,009
	1,674,982	2,091,292
<i>Financial assets with variable interest rate:</i>		
Available for sale financial assets – Government bonds– TL (Note 11)	192,207,223	232,491,016
Held to maturity investments – Government bonds (Note 11)	49,447,712	94,281,348
Available for sale financial assets – Private sector bonds – TL (Note 11)	94,501,549	89,590,740
Financial assets held for trading – Private sector bonds – TL (Note 11)	35,815,971	28,755,609
Financial assets held for trading – Government bonds – TL (Note 11)	11,527,204	18,959,449
	914,787	903,870

(*) Demand deposits amounting to TL 22,895,212 are not included (31 December 2012: TL 22,774,655).

Interest rate sensitivity of the financial instruments

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

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Financial assets held for trading	(41,560)	42,802	(41,560)	42,802
Available for sale financial assets	--	--	(8,251,944)	8,733,655
Total, net	(41,560)	42,802	(8,293,504)	8,776,457

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2012				
Financial assets held for trading	(86,327)	88,387	(233,640)	243,320
Available for sale financial assets	--	--	(5,389,129)	5,768,296
Total, net	(86,327)	88,387	(5,622,769)	6,011,616

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Fair value information

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

The Group has classified its financial assets as whether held for trading purpose or available for sale. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Held to maturity investments with a carrying amount of TL 94,501,549 (31 December 2012: TL 89,590,740) are measured at amortised cost and their fair value amounting to TL 93,990,092 (31 December 2012: TL 93,727,697) as at 31 December 2013 in the consolidated financial statements.

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

Classification relevant to fair value information

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

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

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

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

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

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

	31 December 2013			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
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
<hr/>				
	31 December 2012			
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Available for sale financial assets ^(*)	505,894,341	1,312,038	3,272,355	510,478,734
Financial assets held for trading (Note 11)	98,287,678	--	--	98,287,678
Total financial assets	604,182,019	1,312,038	3,272,355	608,766,412

^(*)As at 31 December 2013, securities that are not publicly traded amounting to TL 5,405,892 (31 December 2012: TL 5,285,983) have been measured at cost.

	31 December 2013	31 December 2012
Available for sale financial assets at the beginning of the period	3,272,355	3,222,539
Valuation increase (Account of valuation of financial assets)	24,908	49,816
Available for sale financial assets at the end of the period	3,297,263	3,272,355

Equity share price risk

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

The effect on income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets (traded at İstanbul Stock Exchange) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (excluding tax effect):

	31 December 2013		31 December 2012	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
Financial assets held for trading	(357,162)	(357,162)	(710,334)	(710,334)
Available for sale financial assets	--	(13,816,834)	--	(20,955,317)
Total, net	(357,162)	(14,173,996)	(710,334)	(21,665,651)

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Gain and losses from financial assets

	31 December 2013	31 December 2012
<i>Gains and losses recognized in the statement of income, net:</i>		
Interest income from bank deposits	103,247,785	132,023,477
Income from equity shares	36,474,008	44,992,322
Interest income from debt securities classified as available-for-sale financial assets	33,175,149	33,067,280
Foreign exchange gains	73,484,048	19,646,211
Income from investment funds	(93,719)	17,101,774
Income from participates	17,788,246	16,999,936
Interest income from debt securities classified as held to maturity financial investments	9,909,524	9,266,300
Income from debt securities classified as held for trading financial assets	1,534,786	6,807,366
Interest income from repos	573,560	648,944
Income from derivative transactions	4,558,126	626,857
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	4,698,475	319,289
Income from subsidiaries	1,925	--
Other	1,232,065	1,240,016
Investment income	286,583,978	282,739,772
Foreign exchange losses	(31,379,597)	(30,693,599)
Loss from disposal of financial assets	(23,421,773)	(10,321,479)
Loss from valuation of financial assets	(4,677,619)	(4,837,314)
Investment management expenses (including interest)	(1,472,447)	(585,732)
Loss from derivative transactions	(6,499,680)	(311,150)
Investment expenses	(67,451,116)	(46,749,274)
Investment income, net	219,132,862	235,990,498
<i>Financial gains and losses recognized in equity, net:</i>		
Fair value changes in available for sale financial assets (Note 15)	(20,976,221)	35,626,025
Amounts resulted from associates through equity accounted consolidation method (Note 15)	(7,111,853)	11,891,697
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(4,698,475)	(319,289)
Total	(32,786,549)	47,198,433

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 254,861,165 in accordance with the calculation from the unconsolidated financial statements as at 31 December 2013. As at 31 December 2013 and 2012, the capital amount of the Company presented in the consolidated financial statements are TL 702,005,911 and TL 658,397,986, respectively and as at 31 December 2013 capital surplus of the Company is amounting to TL 182,385,927 according to the communiqué.

As at 31 December 2013, minimum required capital of Anadolu Sigorta is TL 730,637,277 in accordance with the calculation from the unconsolidated financial statements of Anadolu Sigorta. As at 31 December 2013, the capital amount of Anadolu Sigorta presented in the unconsolidated financial statements are above the minimum capital requirement amounts.

5 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

The main geographical segment which the Group operates is Turkey. Hence, the Group has not disclosed report on geographical segments.

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effect ^(*)	Disposals	31 December 2013
Cost:					
Investment properties (Note 7)	48,325,615	--	--	--	48,325,615
Owner occupied properties	37,780,674	1,222,795	--	(1,089,550)	37,913,919
Machinery and equipment	26,268,960	6,531,431	--	--	32,800,391
Furniture and fixtures	12,534,797	2,431,529	42,786	(137,274)	14,871,838
Motor vehicles	2,515,065	183,855	63,609	(197,723)	2,564,806
Other tangible assets (including leasehold improvements)	4,038,677	14,977,547	--	(753,947)	18,262,277
Leased tangible assets	4,166,354	--	--	--	4,166,354
	135,630,142	25,347,157	106,395	(2,178,494)	158,905,200
Accumulated depreciation:					
Investment properties (Note 7)	21,323,885	966,510	--	--	22,290,395
Owner occupied properties	14,159,191	744,834	--	(542,434)	14,361,591
Machinery and equipment	20,908,142	2,971,074	--	--	23,879,216
Furniture and fixtures	10,658,371	602,411	39,443	(126,234)	11,173,991
Motor vehicles	1,359,347	458,008	19,047	(183,896)	1,652,506
Other tangible assets (including leasehold improvements)	3,255,088	648,138	--	(309,524)	3,593,702
Leased tangible assets	4,165,906	199	--	--	4,166,105
	75,829,930	6,391,174	58,490	(1,162,088)	81,117,506
Carrying amounts	59,800,212				77,787,694

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

6 Tangible assets (continued)

Movement in tangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effect (*)	Disposals	31 December 2012
Cost:					
Investment properties (Note 7)	48,325,615	--	--	--	48,325,615
Owner occupied properties	37,745,132	35,542	--	--	37,780,674
Machinery and equipment	25,657,096	674,299	--	(62,435)	26,268,960
Furniture and fixtures	12,334,124	483,512	(15,200)	(267,639)	12,534,797
Motor vehicles	2,309,072	407,024	(9,016)	(192,015)	2,515,065
Other tangible assets (including leasehold improvements)	3,783,569	255,108	--	--	4,038,677
Leased tangible assets	4,339,065	--	--	(172,711)	4,166,354
	134,493,673	1,855,485	(24,216)	(694,800)	135,630,142
Accumulated depreciation:					
Investment properties (Note 7)	20,357,374	966,511	--	--	21,323,885
Owner occupied properties	13,403,875	755,316	--	--	14,159,191
Machinery and equipment	17,721,482	3,203,656	--	(16,996)	20,908,142
Furniture and fixtures	10,240,433	689,484	(12,728)	(258,818)	10,658,371
Motor vehicles	1,053,263	468,548	(7,239)	(155,225)	1,359,347
Other tangible assets (including leasehold improvements)	2,965,402	289,686	--	--	3,255,088
Leased tangible assets	4,300,067	199	--	(134,360)	4,165,906
	70,041,896	6,373,400	(19,967)	(565,399)	75,829,930
Carrying amounts	64,451,777				59,800,212

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

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

There is not any revaluation on tangible assets.

As at 31 December 2013 and 2012, carrying amount and fair value of the Company's operating center building located in Nişantaşı amounting to TL 18,827,166 and TL 19,455,025; respectively. As at 31 December 2013, fair value of building is amounting to TL 78,616,087 according to expert report.

7 Investment properties

As at 31 December 2013 and 2012, inflation adjusted cost and carrying amounts of the Group's investment properties are amounting to TL 48,325,615 (31 December 2012: TL 48,325,615) and TL 26,035,220 (31 December 2012: TL 27,001,730), respectively.

As at 31 December 2013 and 2012, details of investment properties and the fair values are as follows:

	31 December 2013 Carrying amount	31 December 2012 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	16,405,223	16,952,313	31 December 2013	91,103,449
Suadiye Fitness Center	3,829,252	4,004,665	31 December 2013	12,314,911
Tunaman Garage	1,692,481	1,759,737	31 December 2013	53,955,104
Villa Office Block	704,041	741,137	31 December 2013	17,426,560
Other Buildings	3,404,223	3,543,878	31 December 2013	27,528,000
Carrying amounts	26,035,220	27,001,730		202,328,024

For the year ended 31 December 2013, the Group has rental income from investment properties amounting to TL 13,179,908 (31 December 2012: TL 11,204,062)

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Foreign currency translation effects (*)	Disposal	31 December 2013
Cost:					
Other intangible assets	23,749,405	11,403,469	215,086	21,885,303	57,253,263
Goodwill	16,250,000	--	--	--	16,250,000
Advances given for intangible assets	31,717,343	11,190,332	--	(23,611,361)	19,296,314
	71,716,748	22,593,801	215,086	(1,726,058)	92,799,577
Accumulated amortization:					
Other intangible assets	16,488,719	12,577,997	215,029	--	29,281,745
	16,488,719	12,577,997	215,029	--	29,281,745
Carrying amounts	55,228,029				63,517,832

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

8 Intangible assets (continued)

Movement in intangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Foreign currency translation effects (*)	Disposal	31 December 2012
Cost:					
Other intangible assets	18,607,067	5,220,449	(65,010)	(13,101)	23,749,405
Goodwill	16,250,000	--	--	--	16,250,000
Advances given for intangible assets	14,336,428	17,380,915	--	--	31,717,343
	49,193,495	22,601,364	(65,010)	(13,101)	71,716,748
Accumulated amortization:					
Other intangible assets	12,346,494	4,219,426	(64,100)	(13,101)	16,488,719
	12,346,494	4,219,426	(64,100)	(13,101)	16,488,719
Carrying amounts	36,847,001				55,228,029

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

9 Investments in associates

	31 December 2013		31 December 2012	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	113,430,100	21.00	111,191,977	21.00
Associates, net	113,430,100		111,191,977	
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	746,207	77.00	746,207	77.00
Subsidiaries, net	746,207		746,207	
Financial asset total	114,176,307		111,938,184	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret AŞ	3,946,975	3,643,670	1,896	22,067	Not Audited	31 December 2013
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	7,908,678,756	540,143,329	10,670,470	84,705,935	Audited	31 December 2013

In the current period TL 17,788,246 of income is obtained from associates through equity accounted consolidation method (31 December 2012: TL 16,999,936).

10 Reinsurance asset and liabilities

As at 31 December 2013 and 2012, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2013	31 December 2012
Reserve for unearned premiums, ceded (Note 17)	254,300,451	187,994,937
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	113,077,255	79,668,187
Receivables from reinsurance companies (Note 12)	58,450,134	74,030,699
Cash deposited to reinsurance companies	24,225,083	23,442,444
Reinsurers share in the provision for subrogation and salvage receivables	73,949	3,622,607
Total	450,126,872	368,758,874

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2013	31 December 2012
Payables to the reinsurers related to premiums written (Note 19)	250,847,512	133,634,266
Deferred commission income (Note 19)	30,341,851	27,576,172
Cash deposited by reinsurance companies	3,105,906	3,464,220
Commission payables to the reinsurers related to written premiums (Note 23)	649,466	5,290,556
Total	284,944,735	169,965,214

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

	31 December 2013	31 December 2012
Premiums ceded during the period (Note 17)	(662,367,917)	(490,334,090)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(187,994,937)	(154,719,274)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	254,300,451	187,994,937
Premiums earned, ceded (Note 17)	(596,062,403)	(457,058,427)
Claims paid, ceded during the period (Note 17)	102,084,403	100,355,492
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(79,668,187)	(78,960,689)
Provision for outstanding claims, ceded at the end of the period (Note 17)	113,077,255	79,668,187
Claims incurred, ceded (Note 17)	135,493,471	101,062,990
Commission income accrued from reinsurers during the period (Note 32)	78,044,129	63,565,624
Deferred commission income at the beginning of the period (Note 19)	27,576,172	22,962,672
Deferred commission income at the end of the period (Note 19)	(30,341,851)	(27,576,172)
Commission income earned from reinsurers (Note 32)	75,278,450	58,952,124
Changes in provision for outstanding claims, reinsurers' share (Note 17)	4,504,923	(10,618,033)
Total, net	(380,785,559)	(307,661,346)

11 Financial assets

As at 31 December 2013 and 2012, the Group's financial assets are detailed as follows:

	31 December 2013	31 December 2012
Available for sale financial assets	905,238,347	521,562,329
Financial assets held for trading	115,904,563	98,287,678
Held to maturity financial assets	94,501,549	89,590,740
Impairment loss on available for sale financial assets	(5,797,612)	(5,797,612)
Total	1,109,846,847	703,643,135

As at 31 December 2013 and 2012, the Group's financial assets held for trading are detailed as follows:

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
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
<i>Non-fixed income financial assets:</i>				
Equity shares		6,214,554	3,571,623	3,571,623
Investment funds		54,862,187	65,371,724	65,371,724
		61,076,741	68,943,347	68,943,347
Total financial assets held for trading		106,278,618	115,904,563	115,904,563
	31 December 2012			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Private sector bonds – TL	20,380,000	20,399,952	21,050,741	21,050,741
Eurobonds issued by Private sector	2,300,000	3,395,963	4,257,009	4,257,009
Government bonds – TL	900,000	912,696	903,870	903,870
Reverse repo		5,541,506	5,542,173	5,542,173
		30,250,117	31,753,793	31,753,793
<i>Non-fixed income financial assets:</i>				
Equity shares		8,044,323	7,103,342	7,103,342
Investment funds		46,556,887	59,430,543	59,430,543
		54,601,210	66,533,885	66,533,885
Total financial assets held for trading		84,851,327	98,287,678	98,287,678

11 Financial assets (continued)

As at 31 December 2013 and 2012, the Group's available for sale financial assets are as follows:

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
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
<i>Non-fixed income financial assets:</i>				
Investment funds		120,403,505	114,396,042	114,396,042
Equity shares		116,241,949	152,669,104	152,669,104
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		236,645,454	261,267,534	261,267,534
Total available-for-sale financial assets		873,348,984	899,440,735	899,440,735
	31 December 2012			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	204,697,261	212,763,715	225,449,098	225,449,098
Private sector bonds – TL	72,290,271	69,062,598	72,204,106	72,204,106
		281,826,313	297,653,204	297,653,204
<i>Non-fixed income financial assets:</i>				
Equity shares		171,308,479	223,909,125	223,909,125
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		171,308,479	218,111,513	218,111,513
Total available-for-sale financial assets		453,134,792	515,764,717	515,764,717

All debt instruments presented above are traded in the capital markets. As at 31 December 2013, equity shares classified as available for sale financial assets with a carrying amount of TL 8,703,155 are not publicly traded (31 December 2012: TL 8,558,337).

There is no debt security issued during the period or issued before and paid during the period by the Group.

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2013, TL 5,797,612 of impairment loss is recognized for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2012: TL 5,797,612).

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase / (decrease)	Total increase / (decrease) in value
2013	(32,786,549)	18,869,209
2012	47,198,433	51,655,758
2011	(57,325,219)	4,457,325

11 Financial assets (continued)

As at 31 December 2013 and 2012, the Group's financial assets held to maturity are as follows:

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	73,661,976	76,666,867	93,990,092	94,501,549
Total financial assets held to maturity	73,661,976	76,666,867	93,990,092	94,501,549
	31 December 2012			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	73,661,976	77,463,468	93,727,697	89,590,740
Total financial assets held to maturity	73,661,976	77,463,468	93,727,697	89,590,740

As at 31 December 2013 and 2012, the movement of the financial assets is presented below:

	31 December 2013			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	98,287,678	515,764,717	89,590,740	703,643,135
Unrealized exchange differences on financial assets	3,346,055	--	--	3,346,055
Acquisitions during the period	41,796,680	1,190,000,962	--	1,231,797,642
Disposals (sale and redemption)	(22,380,770)	(777,844,922)	(796,600)	(801,022,292)
Change in the fair value of financial assets	(5,145,080)	(8,596,525)	--	(13,741,605)
Change in amortized cost of the financial assets	--	(28,242,000)	5,707,409	(22,534,591)
Bonus shares acquired	--	8,358,503	--	8,358,503
Balance at the end of the period	115,904,563	899,440,735	94,501,549	1,109,846,847
	31 December 2012			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	177,411,788	371,201,318	85,608,329	634,221,435
Unrealized exchange differences on financial assets	(628,171)	--	--	(628,171)
Acquisitions during the period	21,309,949	1,036,739,253	--	1,058,049,202
Disposals (sale and redemption)	(116,471,715)	(970,031,518)	(846,956)	(1,087,350,189)
Change in the fair value of financial assets	16,654,661	33,393,738	--	50,048,399
Change in amortized cost of the financial assets	--	35,107,917	4,829,367	39,937,284
Bonus shares acquired	11,166	9,354,009	--	9,365,175
Balance at the end of the period	98,287,678	515,764,717	89,590,740	703,643,135

11 Financial assets (continued)

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

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	138,320,000	126,613,570	127,434,395	127,434,395
Financial assets held for trading – Investment funds		54,862,187	65,371,724	65,371,724
Available for sale financial assets – Investment funds		120,403,505	114,396,042	114,396,042
Available for sale financial assets – Equity shares		33,327,777	52,870,099	52,870,099
Total		335,207,039	360,072,260	360,072,260

	31 December 2012			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	58,809,436	55,908,457	58,553,587	58,553,587
Financial assets held for trading – Investment funds		46,556,887	59,430,543	59,430,543
Available for sale financial assets – Equity shares		29,108,447	54,692,598	54,692,598
Total		131,573,791	172,676,728	172,676,728

As at 31 December 2013 and 2012, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets (Note 17)	20,000,000	19,775,285	19,677,439	19,677,439
Held to maturity financial assets (Note 17)	64,467,988	67,074,876	82,079,788	82,596,991
Total	84,467,988	86,850,161	101,757,227	102,274,430

	31 December 2012			Carrying value
	Face value	Cost	Fair value	
Held to maturity financial assets (Note 17)	64,467,988	67,692,975	81,685,400	78,073,752
Total	64,467,988	67,692,975	81,685,400	78,073,752

12 Loans and receivables

	31 December 2013	31 December 2012
Receivables from main operations <i>(Note 4.2)</i>	953,641,241	831,903,951
Prepaid taxes and funds <i>(Note 19), (Note 4.2)</i>	17,679,207	20,191,743
Income accruals <i>(Note 4.2)</i>	15,491,016	17,791,902
Other receivables <i>(Note 4.2)</i>	3,096,793	2,305,977
Due from related parties <i>(Note 4.2)</i>	72,324	1,445,693
Other current asset <i>(Note 4.2)</i>	1,094,866	956,903
Total	991,075,447	874,596,169
Short-term receivables	991,075,447	874,596,169
Medium and long-term receivables	--	--
Total	991,075,447	874,596,169

As at 31 December 2013 and 2012, receivables from main operations are detailed as follows:

	31 December 2013	31 December 2012
Receivables from insurance companies	42,359,644	45,807,302
Receivables from reinsurance companies <i>(Note 10)</i>	58,450,134	74,030,699
Receivables from agencies, brokers and intermediaries	40,684,719	43,833,347
Total receivables from reinsurance operations, net	141,494,497	163,671,348
Receivables from agencies, brokers and other intermediaries	671,650,433	552,722,660
Receivables from policyholders	35,367,913	21,026,918
Salvage and subrogation receivables <i>(Note 2.21)</i>	29,179,630	29,416,598
Total receivables from insurance operations, net	736,197,976	603,166,176
Cash deposited to insurance and reinsurance companies <i>(Note 4.2)</i>	85,423,846	74,203,638
Provisions for receivables from insurance operations – subrogation receivables <i>(Note 2.21)</i>	(9,475,078)	(9,137,211)
Doubtful receivables from main operations – premium receivables	25,287,994	24,693,112
Provision for doubtful receivables from main operations – premium receivables	(25,287,994)	(24,693,112)
Doubtful receivables from insurance operations – subrogation receivables	88,458,511	72,679,464
Provisions for doubtful receivables from insurance operations – subrogation receivables	(88,458,511)	(72,679,464)
Receivables from main operations	953,641,241	831,903,951

As at 31 December 2013 and 2012, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2013	31 December 2012
Letters of guarantees	153,668,419	63,533,488
Mortgage notes	71,636,758	73,623,028
Other guarantees	12,620,807	8,583,108
Government bonds and treasury bills	2,939,585	3,083,233
Total	240,865,569	148,822,857

12 Loans and receivables (continued)

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 36,205,341 for main operations (31 December 2012: TL 34,069,076) and TL 63,177 (31 December 2012: TL 232,377) for other receivables.

b) Provision for premium receivables (due): None (31 December 2012: None).

c) Provision for subrogation receivables: TL 87,016,242 (31 December 2012: TL 72,440,711).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – Related party transactions.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2– Financial risk management.

13 Derivative financial assets

As at 31 December 2013 , the Group does not have derivative financial instruments (31 December 2012: None).

14 Cash and cash equivalents

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

	31 December 2013		31 December 2012	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	62,280	83,735	83,735	75,156
Bank deposits	1,505,408,327	1,487,717,553	1,487,717,553	1,273,591,713
Cheques given and payment orders	(1,025,984)	(1,104,472)	(1,104,472)	(1,450,675)
Bank guaranteed credit card receivables with maturities less than three months	252,850,367	159,051,422	159,051,422	221,702,361
Cash and cash equivalents in the balance sheet	1,757,294,990	1,645,748,238	1,645,748,238	1,493,918,555
Bank deposits – blocked (*)	(151,508,738)	(125,967,207)	(125,967,207)	(130,703,265)
Time deposits with maturities longer than 3 months	(259,281,663)	(631,832,582)	(631,832,582)	(280,703,685)
Interest accruals on banks deposits	(3,969,446)	(4,657,211)	(4,657,211)	(6,104,867)
Cash and cash equivalents presented in the statement of cash flows	1,342,535,143	883,291,238	883,291,238	1,076,406,738

(*) As at 31 December 2013 TL 151,508,238 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities (31 December 2012: TL 125,966,707) (Note 17).

As at 31 December 2013 and 2012, bank deposits are further analyzed as follows:

	31 December 2013	31 December 2012
Foreign currency denominated bank deposits		
- time deposits	219,236,891	161,006,017
- demand deposits	18,303,570	19,661,312
Bank deposits in Turkish Lira		
- time deposits	1,263,276,224	1,303,936,881
- demand deposits	4,591,642	3,113,343
Cash at banks	1,505,408,327	1,487,717,553

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2013 and 2012, the shareholding structure of the Company is presented below:

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

As at 31 December 2013, the issued share capital of the Group is TL 615,000,000 (31 December 2012: TL 615,000,000) and the share capital of the Group consists of 61,500,000,000 (31 December 2012: 61,500,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Group.

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

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As at 31 December 2013, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% of shares is owned by the Group, is consolidated by using the equity method.

15 Equity (continued)

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	31 December 2013	31 December 2012
Legal reserves at the beginning of the period	75,456,222	73,993,593
Transfer from profit	856,676	1,462,629
Legal reserves at the end of the period	76,312,898	75,456,222

As at 31 December 2013 and 2012, "Other Reserves and Retained Earnings" includes only extraordinary reserves.

	31 December 2013	31 December 2012
Other profit reserves	25,325,325	25,325,325
Extraordinary reserves	16,896,500	17,420,430
Other capital reserves	4,677,381	4,677,381
Other earnings and losses	(648,686)	--
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	(24,809,529)	(23,636,913)

Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As at 31 December 2013, tax exempt gain from participation shares and real estate sale amounting to TL 4,677,381 (31 December 2012: TL 4,677,381) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2013	31 December 2012
Extraordinary reserves at the beginning of the period	17,420,430	14,084,730
Transfer from profit	(523,930)	3,335,700
Extraordinary reserves at the end of the period	16,896,500	17,420,430

15 Equity (continued)

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 Andolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71,060,049), is recorded under "Subsidiary Capital Correction" account under equity.

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 – transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other.

As at 31 December 2013, the earthquake provision provided in accordance with this circular is TL 25,325,325 (31 December 2012: TL 25,325,325).

As of 31 December 2013, in accordance with the revision of TAS 19 TL (648,686) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies are exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

In the direction of sector announcement made by Treasury dated 27 October 2008 and numbered 2008/41, the Company classified the gain on sale from the land in real estate amounting to TL 371,233 which is into "Profit not Available for Distribution" in accordance with the Board of Directors decision dated 28 May 2013 and numbered 6680.

15 Equity (continued)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2013, total amount of statutory reserves allocated as mentioned method is TL 43,612,652 (31 December 2012: TL 45,217,862). In the current period TL 1,605,210 fund is provided from 2013 profit.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2013, foreign currency translation reserve amounting to TL 9,246,073 loss (31 December 2012: TL 3,588,736 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2013 and 2012, movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2013	31 December 2012
Fair value reserves at the beginning of the period	51,655,758	4,457,325
Change in the fair value during the period (Note 4,2)	(20,976,221)	35,626,025
Resulted from equity accounted associate (Note 4,2)	(7,111,853)	11,891,697
Net gains transferred to the statement of income (Note 4,2)	(4,698,475)	(319,289)
Fair value reserves at the end of the period	18,869,209	51,655,758

16 Other reserves and equity component of DPF

As at 31 December 2013 and 2012, other reserves are explained in detail in Note 15 – *Equity* above.

As at 31 December 2013 and 2012, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Group. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 – *Summary of significant accounting policies*.

As at 31 December 2013 and 2012, technical reserves of the Group' are as follows:

	31 December 2013	31 December 2012
Reserve for unearned premiums, gross	1,747,176,975	1,467,375,284
Reserve for unearned premiums, ceded (Note 10)	(254,300,451)	(187,994,937)
Reserve for unearned premiums, SSI share	(34,755,134)	(20,200,015)
Reserves for unearned premiums, net	1,458,121,390	1,259,180,332
Provision for outstanding claims, gross	1,481,869,505	1,197,429,413
Provision for outstanding claims, ceded (Note 10)	(113,077,255)	(79,668,187)
Provision for outstanding claims, net	1,368,792,250	1,117,761,226
Provision for unexpired risk	26,947,541	10,561,921
Provision for unexpired risk , ceded	(9,172,016)	(4,667,093)
Provision for outstanding claims, net	17,775,525	5,894,828
Equalization provision, net (*)	66,371,127	50,420,599
Other technical provisions, net	66,371,127	50,420,599
Life mathematical provisions	641,636	1,020,079
Total technical provisions, net	2,911,701,928	2,434,277,064
Short-term	2,845,330,801	2,383,856,465
Medium and long-term	66,371,127	50,420,599
Total technical provisions, net	2,911,701,928	2,434,277,064

(*) Net losses (after reinsurance resulted from earthquakes occurred in 2013 amounting to TL 23,840,767 are decreased from prior periods' equalization provision based on regulation (2012: TL 20,170,880).

As at 31 December 2013 and 2012, movements of the insurance liabilities and related reinsurance assets are presented below:

Reserve for unearned premiums	31 December 2013			
	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

17 Insurance liabilities and reinsurance assets (continued)

Reserve for unearned premiums	31 December 2012			Net
	Gross	Ceded	SSI Share	
Reserve for unearned premiums at the beginning of the period	1,379,683,883	(154,719,274)	(14,079,233)	1,210,885,376
Premiums written during the period	3,184,558,637	(490,334,090)	(43,862,878)	2,650,361,669
Premiums earned during the period	(3,096,867,236)	457,058,427	37,742,096	(2,602,066,713)
Reserve for unearned premiums at the end of the period	1,467,375,284	(187,994,937)	(20,200,015)	1,259,180,332

Provision for outstanding claims	31 December 2013			Net
	Gross	Ceded		
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

Provision for outstanding claims	31 December 2012			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	1,035,991,135	(78,960,689)		957,030,446
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,190,610,391	(101,062,990)		2,089,547,401
Claims paid during the period	(2,029,172,113)	100,355,492		(1,928,816,621)
Provision for outstanding claims at the end of the period	1,197,429,413	(79,668,187)		1,117,761,226

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta AŞ.

	31 December 2013		Carrying amount
	Should be placed ^(**)	Placed ^(*)	
<i>Non life:</i>			
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

17 Insurance liabilities and reinsurance assets (continued)

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 (continued)

	31 December 2012		Carrying amount
	Should be placed (**)	Placed (*)	
<i>Non life:</i>			
Bank deposits (Note 14)		125,966,707	125,966,707
Financial assets (*) (Note 11)		81,685,400	78,073,752
Total	190,733,433	207,652,107	204,040,459

(*) As at 31 December 2013, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies”.

(**) According to the 7th article of the “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to “Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies”, companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2013 (31 December 2012) will be through the calculated amounts as of 30 June 2013 (30 June 2012), the settled amounts as of June is presented as “should be placed” amounts.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group’s number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group’s portfolio as individual or group during the period

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

17 Insurance liabilities and reinsurance assets (continued)

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2013, short-term prepaid expenses amounting to TL 278,786,333 (31 December 2012: TL 256,579,864) consist of deferred production expenses; deferred commission expenses amounting to TL 272,881,015 (31 December 2012: TL 249,836,313) and other prepaid expenses amounting to TL 5,905,318 (31 December 2012: TL 6,743,551). Long-term prepaid expenses amounting TL 34,671 (31 December 2012: TL 564,809) are composed of other prepaid expenses.

	31 December 2013	31 December 2012
Deferred commission expenses at the beginning of the period	249,836,313	237,989,180
Commissions accrued during the period (Note 32)	591,321,889	566,849,994
Commissions expensed during the period (*)	(568,277,187)	(555,002,861)
Deferred commission expenses at the end of the period	272,881,015	249,836,313

(*) In accordance with the "Sector Amendment Related with Amendment to Sector Amendment" dated 8 February 2012 and numbered 2011/14, commissions expensed during the period is recognized as commission expense amounting to TL 568,277,187 (Note 32).

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2013	31 December 2012
Payables from main operations	348,117,231	226,720,673
Other payables	56,847,391	61,419,283
Short/long term deferred income and expense accruals	58,234,314	51,069,573
Taxes and other liabilities and similar obligations	28,647,704	17,222,799
Due to related parties (Note 45)	86,156	136,523
Total	491,932,796	356,568,851
Short-term liabilities	491,932,796	331,568,814
Long-term liabilities	--	25,000,037
Total	491,932,796	356,568,851

As at 31 December 2013, other payables amounting to TL 56,847,391 (31 December 2012: TL 61,419,283) consist of treatment cost payables to SSI amounting to TL 25,801,332 (31 December 2012: TL 32,995,997), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 27,966,606 (31 December 2012: TL 25,207,751) and deposits and guarantees received amounting to TL 3,079,453 (31 December 2012: TL 3,215,535).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 30,341,851 (31 December 2012: TL 27,576,172) (Note 10). Expense accruals and deferred income details are presented below:

	31 December 2013	31 December 2012
Personnel premium provision	8,942,989	7,132,375
Security fund provision	6,180,307	4,110,519
Agency remuneration provision	4,300,000	2,650,000
Sliding scale commission provision (Note 10)	649,466	5,290,556
Deferred rent income	104,930	127,420
Other accruals	7,714,771	115,864
Personnel salary increase provision	--	4,050,000
Deferred income and expense accruals	27,892,463	23,476,734

Payables arising from main operations of the Group as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Payables to reinsurance companies (Note 10)	250,847,512	133,634,266
Payables to agencies, brokers and intermediaries	29,888,503	24,690,781
Cash deposited by insurance and reinsurance companies	4,110,433	4,233,782
Total payables arising from insurance operations	284,846,448	162,558,829
Payables arising from other operating activities	63,270,783	64,161,844
Payables arising from main operations	348,117,231	226,720,673

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2013	31 December 2012
Corporate tax liabilities	--	--
Taxes paid during the period	17,679,207	20,191,743
Corporate tax assets, net	17,679,207	20,191,743

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

None.

20 Financial liabilities

None (31 December 2012: None).

21 Deferred taxes

As at 31 December 2013 and 2012, deferred tax assets and liabilities are attributable to the following:

	31 December 2013	31 December 2012
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Carried forward tax losses (Not 2.18)	19,898,643	41,505,876
Provision for the pension fund deficits	7,263,205	6,219,079
Equalization provision	6,660,127	4,209,203
Provisions for employee termination benefits	3,750,364	3,205,693
Reserve for unexpired risks	3,554,952	1,178,966
Income accruals	(2,880,863)	(2,943,399)
Other provisions	2,445,686	3,892,198
Provision for subrogation receivables	1,895,016	1,827,442
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(1,450,880)	(454,134)
Discount of receivables and payables	88,322	(314,171)
Subrogation receivables from third parties	(603,708)	(1,999,672)
Valuation differences in financial assets	508,561	(2,878,481)
Other	(522,879)	116,780
Deferred tax assets, net	40,606,546	53,565,380

As at 31 December 2013, the Group has deductible tax losses presented below with maturities and amounts in detail. The Group has recognized deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Group's projections.

	31 December 2013
31 December 2016	95,828,488
31 December 2017	3,664,725
Total	99,493,213

Movement of deferred tax assets as at 31 December 2013 and 2012 are given below:

	31 December 2013	31 December 2012
Opening balance at 1 January	53,565,380	58,418,543
Recognized in profit or loss	(20,539,972)	507,822
Recognized in equity	7,581,138	(5,360,985)
Closing balance at 31 December	40,606,546	53,565,380

22 Retirement benefit obligations

Employees of the Company are the members of “Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı (“Milli Reasürans Pension Fund”) and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı (“Pension Fund of Anadolu Anonim Türk Sigorta Şirketi”) which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court’s decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official Gazette and 4th article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders’ transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on 19 June 2008 by the Republican People’s Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

- a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 36,316,026 (31 December 2012: TL 31,095,395) is accounted as “Provision for pension fund deficits” in the accompanying consolidated financial statements.

22 Retirement benefit obligations (continued)

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2013 and 2012, technical deficit from pension funds comprised the following:

	31 December 2013	31 December 2012
Net present value of total liabilities other than health	(75,085,832)	(68,578,765)
Net present value of insurance premiums	14,130,474	13,312,832
Net present value of total liabilities other than health	(60,955,358)	(55,265,933)
Net present value of health liabilities	(12,130,190)	(10,967,935)
Net present value of health premiums	7,744,271	7,295,668
Net present value of health liabilities	(4,385,919)	(3,672,267)
Pension fund assets	29,025,251	27,842,805
Amount of actuarial and technical deficit	(36,316,026)	(31,095,395)

Plan assets are comprised of the following items:

	31 December 2013	31 December 2012
Properties	18,270,000	17,680,000
Cash and cash equivalents	3,658,902	5,469,413
Associates	6,995,082	4,556,404
Securities portfolio	4,786	4,786
Other	96,481	132,202
Total plan assets	29,025,251	27,842,805

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı (Pension Fund of Anadolu Anonim Türk Sigorta Şirketi), which has been founded in accordance with the Article 20 of the Social Securities Act No: 506 and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and charges

As at 31 December 2013 and 2012; the provisions for other risks are disclosed as follows:

	31 December 2013	31 December 2012
Provision for pension fund deficits (Note 22)	36,316,026	31,095,395
Provision for employee termination benefits	17,564,332	15,179,424
Provision for unused vacation	1,187,490	849,038
Total provision for other risks	55,067,848	47,123,857

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

	31 December 2013	31 December 2012
Provision at the beginning of the period	15,179,424	11,781,696
Interest cost (Note 47)	1,142,263	891,010
Service cost (Note 47)	1,302,464	1,153,245
Payments during the period (Note 47)	(1,148,932)	(1,389,111)
Actuarial differences (Note 47)	1,089,113	2,742,584
Provision at the end of the period	17,564,332	15,179,424

24 Net insurance premium

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 – *Financial risk management*

28 Asset held at fair value through profit or loss

Presented in “*Note 4.2 – Financial Risk Management*”.

29 Insurance rights and claims

	31 December 2013		31 December 2012	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,596,545)	(1,727,239,776)	(6,018,305)	(1,922,798,316)
Changes in provision for outstanding claims, net off reinsurers' share	(407,807)	(250,623,217)	(326,893)	(160,403,887)
Changes in reserve for unearned premium, net off reinsurers' share	(389,342)	(198,551,716)	344,181	(48,639,137)
Change in equalization provision	(265,425)	(15,685,103)	(252,279)	(15,278,762)
Change in life mathematical provisions, net off reinsurers' share	378,443	--	357,622	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	(11,880,697)	--	87,708,585
Total	(7,280,676)	(2,203,980,509)	(5,895,674)	(2,059,411,517)

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 – *Expenses by nature* below.

32 Operating expenses

As at and for the years ended 31 December 2013 and 2012, the operating expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Commission expenses (Note 17)	9,126,591	559,150,596	7,330,952	545,078,813
<i>Commissions to the intermediaries accrued during the period (Note 17)</i>	<i>9,243,376</i>	<i>582,078,513</i>	<i>7,235,972</i>	<i>557,020,926</i>
<i>Changes in deferred commission expenses (Note 17)</i>	<i>(116,785)</i>	<i>(22,927,917)</i>	<i>94,980</i>	<i>(11,942,113)</i>
Employee benefit expenses (Note 33)	847,224	125,663,723	827,918	115,463,359
Foreign exchange losses	130,722	22,447,446	87,332	17,272,937
Administration expenses	20,922	77,341,542	30,710	63,641,754
Commission income from reinsurers (Note 10)	(66,285)	(75,212,165)	(93,781)	(58,858,343)
<i>Commission income from reinsurers accrued during the period (Note 10)</i>	<i>(88,165)</i>	<i>(77,955,964)</i>	<i>(89,453)</i>	<i>(63,476,171)</i>
<i>Change in deferred commission income (Note 10)</i>	<i>21,880</i>	<i>2,743,799</i>	<i>(4,328)</i>	<i>4,617,828</i>
Advertising and marketing expenses	--	10,695,100	--	15,280,987
Outsourced benefits and services	--	2,585,347	--	1,559,160
Other	5	22,799,818	40	59,867,491
Total	10,059,179	745,471,407	8,183,171	759,306,158

33 Employee benefit expenses

As at and for the years ended 31 December 2013 and 2012, employee benefit expenses are disclosed as follows:

	31 December 2013		31 December 2012	
	Life	Non life	Life	Non life
Wages and salaries	543,890	89,754,008	659,698	83,214,272
Employer's share in social security premiums	87,881	18,873,566	103,623	16,184,527
Pension fund benefits	215,453	3,137,892	64,597	3,442,380
Other	--	13,898,257	--	12,622,180
Total (Note 32)	847,224	125,663,723	827,918	115,463,359

34 Financial costs

Finance costs of the period are presented in "Note 4.2 – *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the consolidated statement of income.

35 Income tax expense

Income tax expense in the accompanying consolidated financial statements is as follows:

	31 December 2013	31 December 2012
<i>Corporate tax expense:</i>		
Corporate tax provision	--	--
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	(20,539,972)	507,822
Total tax expense / income	(20,539,972)	507,822

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
		Tax rate (%)		Tax rate (%)
Profit/(loss) before taxes	120,526,022		38,894,601	
Taxes on income per statutory tax rate	24,105,204	20.00	7,778,920	20.00
Tax exempt income	(6,571,112)	(5.45)	(6,852,652)	(17.62)
Prior period foreign branch financial losses recognized in current year deferred tax	--	--	(4,345,240)	(11.17)
Non-deductible expenses	3,005,880	2.49	2,911,150	7.48
Total tax expense / (income) recognized in consolidated profit or loss	20,539,972	17.04	(507,822)	(1.31)

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 – *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	31 December 2013	31 December 2012
Net profit / (loss) for the period	99,986,050	39,402,423
Weighted average number of shares	61,500,000,000	61,500,000,000
Earnings / (loss) per share (TL)	0.00162579	0.00064069

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 28 March 2013, the Company has profit amounting to TL 98,348,818 for 2012, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under provision for outstanding claims in the accompanying consolidated financial statements.

As at 31 December 2013, total amount of the claims that the Group face is TL 726,988,000 in gross (31 December 2012: TL 583,233,000), The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2013, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 206,337,000 (31 December 2012: TL 149,734,000).

"Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi, subsidiary of the Company, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties.

As of the report date the Company made a payment of TL 3,283,986 for tax assessments, also due to a precautionary condition the company has made a provision to the amount of TL 7,615,549 (31 December 2012: None).

"Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Millî Rasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties.

As of the report date, the Company has not reserved provision for related tax assessments, because there is not any certain case (31 December 2012: None).

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	31 December 2013	31 December 2012
Within one year	6,226,305	6,466,154
Between one to five years	7,725,700	10,705,568
More than 5 years	--	--
Total of minimum rent payments	13,952,005	17,171,722

44 Business combinations

None.

45 Related party transactions

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

The related party balances as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	133,352,802	18,706,800
Bonds issued by İş Bankası A.Ş. (Note 11)	122,028,890	58,029,245
Equity shares of the related parties (Note 11)	52,870,099	54,692,598
Investment funds founded by İşbank GmbH (Note 11)	18,881,470	21,825,556
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. (Note 11)	13,944,765	5,066,701
Investment funds founded by İş Bankası A.Ş. (Note 11)	13,588,729	13,831,486
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	5,405,505	524,342
Financial assets	360,072,260	172,676,728
Türkiye İş Bankası A.Ş.	1,103,365,968	726,921,768
Other	13,158	74,565,612
Banks	1,103,379,126	801,487,380
Türkiye İş Bankası A.Ş.	76,454,603	50,912,248
Axa Sigorta A.Ş.	7,348,938	233,841
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	5,743,294	5,022,620
Allianz Sigorta A.Ş.	2,334,720	1,147,259
Ziraat Sigorta A.Ş.	914,258	--
Ziraat Hayat ve Emeklilik	631,966	--
Groupama Sigorta A.Ş.	529,594	--
Anadolu Hayat	118,698	124,620
İstanbul Umum Sigorta A.Ş.	89,576	76,182
Ergo Sigorta A.Ş.	18,245	18,245
Receivables from main operations	94,183,892	57,535,015
Due from personnel	72,324	1,445,693
Due from related parties	72,324	1,445,693
Ergo Sigorta A.Ş.	6,290,123	5,887,219
Türkiye İş Bankası A.Ş.	5,900,234	5,713,391
Güven Sigorta T.A.Ş.	746,997	457,086
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	365,739	316,169
Groupama Sigorta A.Ş.	57,003	441,295
Axa Sigorta A.Ş.	52,740	49,762
İstanbul Umum Sigorta A.Ş.	41,830	39,554
Allianz Sigorta A.Ş.	37,892	37,236
AvivaSa Emeklilik A.Ş.	372	--
Payables from main operations	13,492,930	12,941,712
Due to shareholders	72,450	87,944
Due to other related parties	13,706	48,579
Due to related parties	86,156	136,523

45 Related party transactions (continued)

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

The transactions with related parties during the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
İş Bankası	261,701,058	207,616,974
Axa Sigorta AŞ	40,679,330	36,830,622
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	38,432,938	35,458,879
Allianz Sigorta AŞ	29,752,319	25,933,759
Ergo Sigorta AŞ	20,126,753	32,774,685
Groupama Sigorta AŞ	9,227,875	7,800,594
Ziraat Sigorta A.Ş.	6,668,139	--
Anadolu Hayat	2,682,753	2,408,205
Ziraat Hayat ve Emeklilik	2,236,068	--
AvivaSa Emeklilik AŞ	147,535	614,282
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	36	87
Premiums received	411,654,804	349,438,087
Ergo Sigorta AŞ	12,818	50,790
Groupama Sigorta AŞ	3,615	17,606
Axa Sigorta AŞ	1,816	10,434
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	591	3,332
Allianz Sigorta AŞ	18	57
İstanbul Umum Sigorta AŞ	4	4
Premiums ceded	18,862	82,223
Ergo Sigorta AŞ	1,721	16,763
Allianz Sigorta A.Ş.	2	4
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(377)	2,764
Axa Sigorta AŞ	(968)	7,265
Groupama Sigorta AŞ	(2,096)	15,728
Commissions received	(1,718)	42,524
Axa Sigorta AŞ	7,453,799	6,811,293
Allianz Sigorta AŞ	7,208,680	6,401,483
Ergo Sigorta A.Ş.	3,206,199	8,165,773
Ziraat Sigorta A.Ş.	1,584,204	--
Groupama Sigorta AŞ	1,569,297	1,486,282
Anadolu Hayat	293,709	231,115
AvivaSa Emeklilik AŞ	116,677	375,709
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(16,700)	67,137
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	(7,353,671)	6,914,223
İş Bankası	(23,198,017)	20,971,481
Commissions given	(9,135,823)	51,424,496

45 Related party transactions (continued)

	31 December 2013	31 December 2012
Axa Sigorta AŞ	29,923,899	40,265,158
Ergo Sigorta AŞ	18,813,359	32,858,939
Allianz Sigorta AŞ	10,687,045	14,010,468
Groupama Sigorta AŞ	5,083,342	6,244,647
Ziraat Sigorta A.Ş.	3,127,877	--
Ziraat Hayat ve Emeklilik	1,447,702	--
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,255,493	1,173,115
Anadolu Hayat	125,444	208,621
AvivaSa Emeklilik AŞ	97,033	28,695
Claims paid	70,561,194	94,789,643
Groupama Sigorta AŞ	164,896	197,390
Axa Sigorta AŞ	118,737	110,320
Ergo Sigorta AŞ	75,352	129,934
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	62,798	59,022
İstanbul Umum Sigorta AŞ	15,759	11,393
Allianz Sigorta AŞ	12,111	8,849
Reinsurance's share of claims paid	449,653	516,908
Axa Sigorta AŞ	1,422,610	132,307
Ergo Sigorta AŞ	612,076	88,524
Allianz Sigorta AŞ	136,473	6,920
Groupama Sigorta AŞ	134,495	154,583
Ziraat Sigorta A.Ş.	24,875	--
Anadolu Hayat	2,869	784
AvivaSa Emeklilik AŞ	122	313
Other income	2,333,520	383,431
Ergo Sigorta AŞ	323,749	397,072
Axa Sigorta AŞ	254,596	752,758
Allianz Sigorta AŞ	82,705	323,688
Groupama Sigorta AŞ	22,614	79,396
Ziraat Sigorta A.Ş.	5,750	--
Ziraat Hayat ve Emeklilik	2,331	--
Anadolu Hayat	465	3,958
AvivaSa Emeklilik AŞ	16	79
Other expenses	692,226	1,556,951

46 Subsequent events

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

47 Other

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

As at and for the year ended 31 December 2013 and 2012, details of discount and provision expenses are as follows:

	31 December 2013	31 December 2012
Provision expense for doubtful receivables (Note 4.2) (*)	(16,204,729)	(5,288,389)
Provision for pension fund deficits (Note 23)	(5,220,631)	(5,925,148)
Provision expense for employee termination benefits (Note 23)	(1,295,795)	(3,397,728)
Provision expenses for unused vacation (Note 23)	(338,452)	(127,037)
Provision expenses for tax assessments (Note 42)	(7,615,549)	--
Other provision expenses (Note 4.2) (*)	1,798	(1)
Provision expenses	(30,673,358)	(14,738,303)

(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 16,373,929 (31 December 2012: TL 5,084,100) and provision expense on doubtful receivables from other receivables amounting to TL 169,200 (Note 4.2) (31 December 2012: TL 204,289).

	31 December 2013	31 December 2012
Rediscount income / (expense) from main operations receivables	(10,487,709)	(13,699,446)
Rediscount income / (expense) from main operations payables	12,868,639	12,975,859
Total of rediscounts	2,380,930	(723,587)