



*(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 2014
Consolidated Financial Statements
Together With
Independent Auditors' Report Thereon**

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

16 February 2015

*This report includes 2 pages of independent auditors'
report and 91 pages of financial information
together with their explanatory notes.*



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**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 2014 and the related consolidated statements of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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



Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Milli Reasürans Türk Anonim Şirketi and its subsidiary as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

Report on Other Legal and Regulatory Requirements

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

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

Alper Güvenç, SMMM
Partner

16 February 2015
İstanbul, Türkiye

Additional paragraph for convenience translation to English:

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

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2014 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the “Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies” and the financial records of our Company.

Istanbul, 16 February 2015

Şule SOYLU
Group Manager

Kemal ÇUHACI
Assistant
General Manager

Hasan Hulki YALÇIN
General Manager

Ertan TAN
Actuary

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Milli Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2014
(Currency: Turkish Lira (TL))

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

ASSETS			
	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
I- Current Assets			
A- Cash and Cash Equivalents	14	2,348,242,178	1,757,298,990
1- Cash	14	53,676	62,280
2- Cheques Received		--	--
3- Banks	14	2,098,910,576	1,505,408,327
4- Cheques Given and Payment Orders	14	(171,519)	(1,025,984)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	249,449,440	252,850,367
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	11	1,114,726,681	1,109,846,847
1- Available-for-Sale Financial Assets	11	906,847,326	905,238,347
2- Held to Maturity Investments	11	73,670,047	94,501,549
3- Financial Assets Held for Trading	11	140,006,920	115,904,563
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(5,797,612)	(5,797,612)
C- Receivables from Main Operations	12	971,491,906	953,641,241
1- Receivables from Insurance Operations	12	751,368,850	736,197,976
2- Provision for Receivables from Insurance Operations	12	(7,677,067)	(9,475,078)
3- Receivables from Reinsurance Operations	12	159,969,053	141,494,497
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	67,831,070	85,423,846
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4,2,12	113,390,295	102,838,143
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(113,390,295)	(102,838,143)
D- Due from Related Parties	12	--	72,324
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	--	72,324
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	12	4,001,814	3,096,793
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	631,683	485,309
4- Other Miscellaneous Receivables	12	3,370,131	2,611,484
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	63,177
7- Provision for Other Doubtful Receivables	12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		315,596,207	294,471,200
1- Deferred Acquisition Costs	17	294,618,259	278,786,333
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4,2,12	20,722,572	15,491,016
4- Other Prepaid Expenses	4,2,12	255,376	193,851
G- Other Current Assets		13,206,344	19,694,414
1- Stocks to be Used in the Following Months		238,539	920,341
2- Prepaid Taxes and Funds	12,19	10,608,131	17,679,207
3- Deferred Tax Assets		--	--
4- Job Advances	12	167,145	41,221
5- Advances Given to Personnel	12	4,631	35,897
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	2,187,898	1,017,748
8- Provision for Other Current Assets		--	--
I- Total Current Assets		4,767,265,125	4,138,117,809

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2014
(Currency: Turkish Lira (TL))

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

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Receivables from Main Operations			
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4,2,12	11,695,323	10,908,362
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(11,695,323)	(10,908,362)
B- Due from Related Parties			
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables			
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets			
1- Investments in Equity Shares	9	130,517,504	114,176,307
2- Investments in Associates	9	129,424,797	113,430,100
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	1,092,707	746,207
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets			
1- Investment Properties	6,7	74,463,600	77,787,694
2- Impairment for Investment Properties		48,325,615	48,325,615
3- Owner Occupied Property	6	--	--
4- Machinery and Equipments	6	38,751,315	37,913,919
5- Furniture and Fixtures	6	34,554,018	32,800,391
6- Motor Vehicles	6	15,701,150	14,871,838
7- Other Tangible Assets (Including Leasehold Improvements)	6	2,674,433	2,564,806
8- Tangible Assets Acquired Through Finance Leases	6	19,401,127	18,262,277
9- Accumulated Depreciation	6	4,166,354	4,166,354
10- Advances Paid for Tangible Assets (Including Construction in Progress)	6	(89,110,412)	(81,117,506)
F- Intangible Assets			
1- Rights	8	63,041,229	63,517,832
2- Goodwill	8	90,745,932	57,253,263
3- Pre-operating Expenses		16,250,000	16,250,000
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(45,684,081)	(29,281,745)
7- Advances Paid for Intangible Assets	8	1,729,378	19,296,314
G- Prepaid Expenses and Income Accruals			
1- Deferred Acquisition Costs	17	3,562,038	40,150
2- Income Accruals		--	--
3- Other Prepaid Expenses		--	5,479
H- Other Non-Current Assets			
1- Effective Foreign Currency Accounts	21	41,790,025	40,606,546
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	41,790,025	40,606,546
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		313,374,396	296,128,529
TOTAL ASSETS		5,080,639,521	4,434,246,338

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2014
(Currency: Turkish Lira (TL))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
III- Short-Term Liabilities			
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	933,218,811	948,117,231
1- Payables Arising from Insurance Operations		206,687,366	240,657,122
2- Payables Arising from Reinsurance Operations		41,910,954	40,078,893
3- Cash Deposited by Insurance and Reinsurance Companies		8,514,584	4,110,433
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		76,105,907	63,270,783
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	19	81,488	86,156
1- Due to Shareholders		53,738	72,450
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		27,750	13,706
D- Other Payables	19	48,001,148	56,847,391
1- Deposits and Guarantees Received		2,958,994	3,079,453
2- Payables to Social Security Institution Related to Treatment Expenses		16,625,234	26,428,955
3- Other Miscellaneous Payables		28,666,170	27,966,606
4- Discount on Other Miscellaneous Payables		(249,250)	(627,623)
E- Insurance Technical Provisions	17	9,357,104,047	2,845,930,801
1- Reserve for Unearned Premiums - Net	17	1,528,917,388	1,458,121,390
2- Reserve for Unexpired Risks- Net	17	80,455,896	17,775,525
3- Life Mathematical Provisions - Net	17	368,342	641,636
4- Provision for Outstanding Claims - Net	17	1,747,362,421	1,368,792,250
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	28,779,229	28,647,704
1- Taxes and Funds Payable		26,416,196	26,837,281
2- Social Security Premiums Payable		2,363,033	1,810,423
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		21,081,960	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		(21,081,960)	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	19	75,756,584	58,234,314
1- Deferred Commission Income	10,19	34,699,722	30,341,851
2- Expense Accruals	19	40,881,668	27,787,533
3- Other Deferred Income	19	175,194	104,930
I- Other Short Term Liabilities		1,433,153	1,187,490
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		1,433,153	1,187,490
III - Total Short Term Liabilities		3,844,374,460	3,338,451,087

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2014
(Currency: Turkish Lira (TL))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
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	--	--
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	19	83,054,021	66,371,127
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	83,054,021	66,371,127
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	23	46,763,394	53,880,358
1- Provisions for Employment Termination Benefits	23	18,432,669	17,564,332
2- Provisions for Pension Fund Deficits	22,23	28,330,725	36,316,026
H-Deferred Income and Expense Accruals	19	92,083	--
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	92,083	--
I- Other Long Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		129,909,498	120,251,485

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2014
(Currency: Turkish Lira (TL))

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

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

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 2014
(Currency: Turkish Lira (TL))

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

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

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2014
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
I-TECHNICAL SECTION			
E- Life Technical Expense		(15,693,822)	(16,950,518)
1- Incurred Losses (Net of Reinsurer Share)		(7,744,957)	(7,004,352)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,801,752)	(6,596,545)
1.1.1- Claims Paid, gross	17	(10,861,957)	(6,641,402)
1.1.2- Claims Paid, ceded	10,17	4,060,205	44,857
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(943,205)	(407,807)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,109,507)	(1,421,346)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	166,302	1,013,539
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	273,294	378,443
3.1- Change in Mathematical Provisions, gross	29	273,294	378,443
3.1.1- Actuarial Mathematical Provisions		273,294	378,443
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	79,365	(265,425)
5- Operating Expenses	32	(8,301,524)	(10,059,179)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
E- Net Technical Income- Life (D – E)		5,929,457	4,420,486
G- Pension Business Technical Income			
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense			
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G – H)		--	--

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 2014
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		126,176,423	121,018,324
E- Net Technical Income – Life (D-B)		5,329,457	4,420,486
I- Net Technical Income – Pension Business (G-H)		--	--
J- Total Net Technical Income (C+E+I)		131,505,880	125,438,810
K- Investment Income		402,019,987	299,876,560
1- Income from Financial Assets	4.2	214,542,234	158,625,186
2- Income from Disposal of Financial Assets	4.2	61,386,475	27,775,982
3- Valuation of Financial Assets	4.2	16,705,624	4,350,465
4- Foreign Exchange Gains	4.2	74,755,504	73,484,048
5- Income from Associates	4.2	19,983,764	17,788,246
6- Income from Subsidiaries and Joint Ventures	4.2	347,307	1,925
7- Income from Property, Plant and Equipment	7	13,668,530	13,179,908
8- Income from Derivative Transactions	4.2	441,863	4,558,126
9- Other Investments		188,686	112,674
10- Income Transferred from Life Section		--	--
L- Investment Expense		(412,780,973)	(277,460,881)
1- Investment Management Expenses (inc. interest)	4.2	(413,808)	(1,472,447)
2- Diminution in Value of Investments	4.2	(3,509,979)	(4,677,619)
3- Loss from Disposal of Financial Assets	4.2	(17,584,246)	(23,421,773)
4- Investment Income Transferred to Non-Life Technical Section		(301,839,464)	(186,338,695)
5- Loss from Derivative Transactions	4.2	(282,254)	(6,499,680)
6- Foreign Exchange Losses	4.2	(57,145,242)	(31,379,597)
7- Depreciation and Amortization Expenses	6.8	(25,929,420)	(18,969,171)
8- Other Investment Expenses		(6,076,560)	(4,701,899)
M- Income and Expenses From Other and Extraordinary Operations		(8,017,828)	(47,868,439)
1- Provisions	47	(16,008,099)	(30,673,358)
2- Rediscounts	47	(3,019,675)	2,380,930
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	6,414,198	(1,481,229)
6- Deferred Taxation (Deferred Tax Liabilities)	35	1,481,229	(19,058,743)
7- Other Income		5,288,210	3,684,042
8- Other Expenses and Losses		(2,173,691)	(2,720,081)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		91,645,106	99,986,050
1- Profit for the Year		112,727,066	99,986,050
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(21,081,960)	--
3- Net Profit for the Year		91,645,106	99,986,050
3.1-Groups Profit/(Loss)		59,801,754	71,800,159
3.2-Minority Shares		31,843,352	28,185,891
4- Monetary Gains and Losses		--	--

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014
(Currency: Turkish Lira (TL))

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

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

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2014
(Currency: Turkish Lira (TL))

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

Audited Changes in Equity – 31 December 2013													
Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	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 2013	15 615,000,000	--	51,685,788	--	(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)	--	--	--	--	--	--	--	--	--	--	--	--	--
I - In cash	--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves	--	--	--	--	--	--	--	--	--	--	--	--	--
B - Effects of changes in group structure	--	--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares	--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income	--	--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets	--	--	(32,786,549)	--	--	--	--	(648,686)	--	--	(648,686)	(10,005,672)	(42,792,221)
F - Currency translation adjustments	--	--	--	--	15,637,337	--	--	--	--	--	(32,786,549)	--	(17,149,212)
G - Other gains or losses	--	--	--	--	--	--	--	--	--	--	(5,657,337)	--	(5,657,337)
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	(24,809,529)	71,800,159	(97,983,106)	693,456,210	281,987,256	975,443,466

Audited Changes in Equity – 31 December 2014													
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 2013	15 615,000,000	--	18,869,209	--	(9,246,073)	76,312,898	43,612,652	(24,809,529)	71,800,159	(97,983,106)	693,456,210	281,987,256	975,443,466
A - Capital increase (A1+A2)	45,000,000	--	--	--	--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
I - In cash	--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves	45,000,000	--	--	--	--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
B - Effects of changes in group structure	--	--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares	--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income	--	--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets	--	--	30,539,946	--	--	--	--	267,622	--	--	267,622	--	267,622
F - Currency translation adjustments	--	--	--	--	--	--	--	--	--	--	30,539,946	10,355,803	40,895,749
G - Other gains or losses	--	--	--	--	(2,661,609)	--	--	--	--	--	(2,661,609)	--	(2,661,609)
H - Inflation adjustment differences	--	--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year	--	--	--	--	--	--	--	--	59,801,754	--	59,801,754	31,843,352	91,645,106
J - Other reserves and transfers from retained earnings	--	--	--	--	--	1,056,418	328,365	1,019,803	(71,800,159)	70,060,502	664,929	--	664,929
K - Dividends paid	--	--	--	--	--	--	--	--	--	--	--	--	--
III - Balance at the end of the year - 31 December 2014	15 660,000,000	--	49,409,155	--	(11,297,682)	77,369,316	44,441,017	(29,032,104)	59,801,754	(27,922,604)	782,168,452	324,106,711	1,106,275,163

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Profit Distribution
For the Year Ended 31 December 2014
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2014 ^(*)	Audited Prior Period 31 December 2013
I. DISTRIBUTION OF THE PERIOD PROFIT^(*)			
1.1. PERIOD PROFIT/ (LOSS)		11,054,672	22,638,914
1.2. TAXES AND DUTIES PAYABLE	35	--	--
1.2.1. Corporate Tax (Income Tax)	35	--	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		11,054,672	22,638,914
1.3. ACCUMULATED LOSSES (-)		(23,749,257)	(46,388,171)
1.4. FIRST LEGAL RESERVES (-)		--	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]		(12,694,585)	(23,749,257)
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. To owners of ordinary shares		--	--
1.6.2. To owners of privileged shares		--	--
1.6.3. To owners of redeemed shares		--	--
1.6.4. To holders profit sharing bonds		--	--
1.6.5. To holders of profit and loss sharing certificates		--	--
1.7. DIVIDENDS TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO FOUNDERS (-)		--	--
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.10.1. To owners of ordinary shares		--	--
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.10. 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 2014, the Company does not have any distributable profit.

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2014

(Currency: Turkish Lira (TL))

1 General information

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

As at 31 December 2014, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the “Company”) is Türkiye İş Bankası AŞ Group (“İş Bankası”) having 76.64% of the outstanding shares.

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

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

The consolidated financial statements as of 31 December 2014 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 2014, the Company serves through 2,576 agencies of which 2,485 authorized and 91 unauthorized agencies (31 December 2013: 2,468 authorized and 83 unauthorized, total 2,551).

1.4 Description of the main operations of the Company

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

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

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

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

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

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2014, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 9,444,775 (31 December 2013: TL 9,394,672).

1 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 2014, the Company owns 57.31% of its subsidiary, Anadolu Sigorta and Anadolu Sigorta are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ (“Anadolu Hayat”) is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% in the consolidated financial statements as at 31 December 2014.

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

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

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

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

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

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

Additional paragraph for convenience translation to English

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

2 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 2014, non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2013 and nine-month results as at and for the period ended 30 September 2014 and accordingly related balance sheet balances as at 31 December 2014 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting 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 2014, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January – 31 December 2014. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”. Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

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

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2014, the Company has calculated ACML reserve for General Losses main branch as two separate sub branches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering sub branches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results.

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 sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two sub branches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2014, the Company recognised the amount that arise due to change in calculation method for IBNR on General Losses branch.

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

2.2 Consolidation

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

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

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

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

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2014 and 2013.

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 2014, the Group operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

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 – 25
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5 – 10	10.0 – 20.0
Tangible assets acquired through finance leases	4 – 10	10.0 – 25.0

2.6 Investment property

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

Investment properties are measured initially at cost including transaction costs.

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

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

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 assets

Impairment on financial assets

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

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

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

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

2 Summary of significant accounting policies (continued)

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

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

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

Sources of the capital increases during the year

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

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

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2 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 2014, the Group has deductible tax losses, amounting to TL 69,844,562 (31 December 2013: TL 95,828,488 as Group and Anadolu Sigorta TL 3,664,725 as subsidiary company total TL 99,493,213).

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

Deferred tax

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

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

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

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.

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

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

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

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

Employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2014 is TL 3,438 (31 December 2013: TL 3,254).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2014 and 2013 are as follows:

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

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

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

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

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Subrogation, salvage and quasi income (continued)

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

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

Commission income and expenses

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

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 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

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

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

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

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

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.

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

2 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	Standard Chain Ladder
General liability	Standard Chain Ladder	Cape Code
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Cape Code
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Standard Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	--
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Guarantee	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	--
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Standard Chain Ladder
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	--
Third party liability	--	Standard Chain Ladder
Big claim elimination with the Box Plot method	Not performed	Performed

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

As at 31 December 2014, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 327,611,024 and reinsurance share TL (17,969,121) using 100% of ACLM result (31 December 2013: test IBNR method, Gross IBNR: TL 193,676,094, reinsurance share: TL (7,596,560)) in the consolidated financial statements.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 75,260,122 (31 December 2013: TL 53,749,627) as IBNR and TL 9,912,780 (31 December 2013: TL 6,764,302) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

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

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

31 December 2013			
Branch	Winning ratios used	Gross amount decreased	Net amount decreased
Third party liability for motor vehicles (MTPL)	17%	27,348,214	26,167,440
General responsibility	25%	15,096,889	14,288,654
Fire and natural disasters	17%	6,386,641	2,789,609
Motor vehicles	18%	2,065,493	1,977,160
Transportation	11%	361,329	333,118
General losses	17%	1,153,064	515,357
Water vehicles	25%	973,319	569,692
Accident	18%	357,604	337,221
Legal protection	16%	7,074	7,074
Total		53,749,627	46,985,325

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 1,153,501 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 2014 (31 December 2013: TL 5,721,687).

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

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

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

2 Summary of significant accounting policies (continued)

2.29 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

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

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

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

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

2.30 Earnings per share

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

2 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

A number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2014. TFRS 9 – *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*.

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

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2018. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated. The Company is appreciating the effects of the standard on the financial position and performance.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 9* – Investments in subsidiaries
- Note 10* – Reinsurance assets/liabilities
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Note 17* – Insurance contract liabilities and reinsurance assets
- Note 17* – Deferred acquisition costs
- Note 19* – Trade and other payables and deferred income
- Note 21* – Deferred income taxes
- Note 23* – Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

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
General liability	35,844,536	(3,052,118)	32,792,418
Water vehicles	42,793,632	(10,558,036)	32,235,596
Transportation	36,401,763	(4,788,809)	31,612,954
Accident	26,733,600	(830,080)	25,903,520
Life	6,641,402	(44,858)	6,596,544
Credit	6,507,546	(95,441)	6,412,105
Air crafts	14,495,556	(8,954,172)	5,541,384
Air crafts liability	1,531,810	--	1,531,810
Breach of trust	413,418	(325)	413,093
Legal protection	129,687	(117)	129,570
Water vehicles liability	30,025	--	30,025
Financial losses	3,430,150	(3,489,354)	(59,204)
Total	1,835,920,724	(102,084,403)	1,733,836,321

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

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

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

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

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

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

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

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

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

(**) Includes TL 81,109,551 (31 December 2013: TL 81,315,004) of untransferred amount collected by intermediaries and TL 30,648,790 (31 December 2013: TL 29,179,630) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having passed over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 7,677,067 (31 December 2013: TL 9,475,078) are excluded from the table.

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

	31 December 2014	31 December 2013
Provision for receivables from insurance operations at the beginning of the year	113,746,505	97,372,576
Collections during the period (Note 47)	(1,077,499)	(908,822)
Impairment losses provided during the period (Note 47)	2,518,673	1,503,704
Impairment losses provided for subrogation – salvage receivables during the period (Note 47)	9,104,101	14,237,664
Foreign currency translation effect (Note 47)	793,838	1,541,383
Provision for receivables from insurance operations at the end of the year	125,085,618	113,746,505

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

Liquidity risk

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

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

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

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

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

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 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	2,348,242,173	760,590,602	1,444,741,803	117,552,880	25,356,888	--
Receivables from main operations	971,491,906	167,065,674	332,687,147	330,406,279	133,158,264	8,174,542
Financial assets and financial investments with risks on policyholders ^(*)	932,112,278	323,285,988	49,685,433	40,508,395	62,680,823	455,951,639
Other receivables and current assets	37,947,567	32,562,672	2,332,079	1,914,880	1,137,936	--
Total monetary assets	4,289,793,924	1,283,504,936	1,829,446,462	490,382,434	222,333,911	464,126,181
Liabilities						
Insurance technical provisions ^(**)	1,747,362,421	145,696,723	305,563,607	116,206,094	99,256,001	1,080,639,996
Payables arising from main operations	333,218,811	103,441,845	50,466,353	83,703,672	95,606,941	--
Provisions for other risks and expense accruals	87,645,062	6,493,459	3,139,661	15,759,247	--	62,252,695
Other liabilities	48,001,148	18,691,190	26,393,381	--	--	2,916,577
Provisions for taxes and other similar obligations	28,779,229	28,779,229	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	2,245,088,159	303,183,934	385,563,002	215,669,013	194,862,942	1,145,809,268

^(*) Equity shares amounting to TL 182,614,403 are not included.

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

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.

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 2014	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
Receivables from main operations	200,570,942	60,452,264	98,142,646	359,165,852
Cash and cash equivalents	266,710,622	5,718,197	4,089,735	276,518,554
Financial assets and financial investments with risks on policyholders	--	12,320,065	--	12,320,065
Total foreign currency assets	467,281,564	78,490,526	102,232,381	648,004,471
<i>Liabilities:</i>				
Payables arising from main operations	(125,041,261)	(14,340,894)	(3,639,460)	(143,021,615)
Insurance technical provisions ^(*)	(201,931,554)	(115,074,078)	(91,191,721)	(408,197,353)
Total foreign currency liabilities	(326,972,815)	(129,414,972)	(94,831,181)	(551,218,968)
Net on-balance sheet position	140,308,749	(50,924,446)	7,401,200	96,785,503
<hr/>				
31 December 2013	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
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
<i>Liabilities:</i>				
Payables arising from main operations	(133,464,866)	(28,622,628)	(9,631,866)	(171,719,360)
Insurance technical provisions ^(*)	(215,671,260)	(104,385,331)	(93,156,412)	(413,213,003)
Total foreign currency liabilities	(349,136,126)	(133,007,959)	(102,788,278)	(584,932,363)
Net on-balance sheet position	50,220,393	(37,044,922)	(9,262,258)	3,913,213

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

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

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

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2014 and 2013 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2014		31 December 2013	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	14,030,875	14,030,875	5,022,039	5,022,039
Euro	(5,092,445)	(5,092,445)	(3,704,492)	(3,704,492)
Others	740,120	740,120	(926,226)	(926,226)
Total, net	9,678,550	9,678,550	391,321	391,321

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

Exposure to interest rate risk

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

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

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

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2014 and 2013 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 and 2013. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

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

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

Classification relevant to fair value information

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

	31 December 2013			Total
	Level 1	Level 2	Level 3	
<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

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

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

Equity share price risk

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

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

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

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Gain and losses from financial assets

<i>Gains and losses recognized in the statement of income, net:</i>	31 December 2014	31 December 2013
Interest income from bank deposits	157,667,255	103,247,785
Income from equity shares	18,279,830	36,474,008
Interest income from debt securities classified as available-for-sale financial assets	67,056,489	33,175,149
Foreign exchange gains	74,755,504	73,484,048
Income from investment funds	34,887,530	(93,719)
Income from participations	19,983,764	17,788,246
Interest income from debt securities classified as held to maturity financial investments	10,730,801	9,909,524
Income from debt securities classified as held for trading financial assets	3,134,653	1,534,786
Interest income from repos	1,293,630	573,560
Income from derivative transactions	441,863	4,558,126
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(3,522,062)	4,698,475
Income from subsidiaries	347,307	1,925
Other	3,106,207	1,232,065
Investment income	388,162,771	286,583,978
Foreign exchange losses	(57,145,242)	(31,379,597)
Loss from disposal of financial assets	(17,584,246)	(23,421,773)
Loss from valuation of financial assets	(3,509,979)	(4,677,619)
Investment management expenses (including interest)	(413,808)	(1,472,447)
Loss from derivative transactions	(282,254)	(6,499,680)
Investment expenses	(78,935,529)	(67,451,116)
Investment income, net	309,227,242	219,132,862
<i>Financial gains and losses recognized in equity, net:</i>		
Fair value changes in available for sale financial assets (Note 15)	20,704,059	(20,976,221)
Amounts resulted from associates through equity accounted consolidation method (Note 15)	6,313,825	(7,111,853)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	3,522,062	(4,698,475)
Total	30,539,946	(32,786,549)

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

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

5 Segment reporting

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

Business segment

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

Geographical segment

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

6 Tangible assets

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

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

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

6 Tangible assets (continued)

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

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

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

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

There is not any revaluation on tangible assets.

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

7 Investment properties

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

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

	31 December 2014 Carrying amount	31 December 2013 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	15,858,131	16,405,223	31 December 2014	98 315 099
Suadiye Fitness Center	3,653,842	3,829,252	31 December 2014	13 055 407
Tunaman Garage	1,625,226	1,692,481	31 December 2014	63 676 994
Villa Office Block	666,943	704,041	31 December 2014	19 316 437
Other buildings	3,264,568	3,404,223	31 December 2014	40 077 000
Carrying amounts	25,068,710	26,035,220		234.440.937

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

8 Intangible assets

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

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

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

8 Intangible assets (continued)

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
<i>Cost:</i>					
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
<i>Accumulated amortization:</i>					
Other intangible assets	16,488,719	12,577,997	215,029	--	29,281,745
	16,488,719	12,577,997	215,029	--	29,281,745
Carrying amounts	55,228,029				63,517,832

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

9 Investments in associates

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

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

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

10 Reinsurance asset and liabilities

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

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

There is no impairment losses recognized for reinsurance assets.

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

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

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

11 Financial assets

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

	31 December 2014	31 December 2013
Available for sale financial assets	906,847,326	905,238,347
Financial assets held for trading	140,006,920	115,904,563
Held to maturity financial assets	73,670,047	94,501,549
Impairment loss on available for sale financial assets	(5,797,612)	(5,797,612)
Total	1,114,726,681	1,109,846,847

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

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Private sector bonds - TL	4,990,000	4,991,033	5,073,117	5,073,117
Government bonds - TL	900,000	907,616	900,017	900,017
Reverse repo	--	5,885,733	5,887,281	5,887,281
		11,784,382	11,860,415	11,860,415
<i>Non-fixed income financial assets:</i>				
Equity shares		6,032,093	3,915,902	3,915,902
Investment funds		106,660,295	124,230,603	124,230,603
		112,692,388	128,146,505	128,146,505
Total financial assets held for trading		124,476,770	140,006,920	140,006,920
	31 December 2013			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

11 Financial assets (continued)

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

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
Debt instruments:				
Government bonds – TL	433,270,054	435,887,187	451,184,346	451,184,346
Private sector bonds – TL	87,033,900	86,612,054	88,401,798	88,401,798
		522,499,241	539,586,144	539,586,144
Non-fixed income financial assets:				
Investment funds		181,151,117	182,765,069	182,765,069
Equity shares		132,150,514	184,496,113	184,496,113
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		313,301,631	361,463,570	361,463,570
Total available-for-sale financial assets		835,800,872	901,049,714	901,049,714
	31 December 2013			Carrying value
	Face value	Cost	Fair value	
Debt instruments:				
Government bonds – TL	469,475,533	471,005,782	471,222,150	471,222,150
Private sector bonds – TL	177,403,358	165,697,748	166,951,051	166,951,051
		636,703,530	638,173,201	638,173,201
Non-fixed income financial assets:				
Investment funds		120,403,505	114,396,042	114,396,042
Equity shares		116,241,949	152,669,104	152,669,104
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		236,645,454	261,267,534	261,267,534
Total available-for-sale financial assets		873,348,984	899,440,735	899,440,735

All debt instruments presented above are traded in the capital markets. As at 31 December 2014, equity shares classified as available for sale financial assets with a carrying amount of TL 8,451,976 are not publicly traded (31 December 2013: TL 8,703,155).

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

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2014, TL 5,797,612 of impairment loss is recognized for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2013: TL 5,797,612).

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

Year	Change in value increase / (decrease)	Total increase / (decrease) in value
2014	30,539,946	49,409,155
2013	(32,786,549)	18,869,209
2012	47,198,433	51,655,758

11 Financial assets (continued)

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

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	55,937,785	57,921,026	74,133,508	73,670,047
Total financial assets held to maturity	55,937,785	57,921,026	74,133,508	73,670,047
	31 December 2013			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

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

	31 December 2014			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	115,904,563	899,440,735	94,501,549	1,109,846,847
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	90,450,000	1,190,373,743	--	1,280,823,743
Disposals (sale and redemption)	(48,849,746)	(1,259,590,621)	(18,745,842)	(1,327,186,209)
Change in the fair value of financial assets	(17,497,897)	31,907,834	--	14,409,937
Change in amortized cost of the financial assets	--	29,999,042	(2,085,660)	27,613,382
Bonus shares acquired	--	8,918,981	--	9,218,981
Balance at the end of the period	140,006,920	901,049,714	73,670,047	1,114,726,681
	31 December 2013			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	98,287,678	515,764,717	89,590,740	703,643,135
Unrealized exchange differences on financial assets	3,346,055	--	--	3,346,055
Acquisitions during the period	41,796,680	1,190,000,962	--	1,231,797,642
Disposals (sale and redemption)	(22,380,770)	(777,844,922)	(796,600)	(801,022,292)
Change in the fair value of financial assets	(5,145,080)	(8,596,525)	--	(13,741,605)
Change in amortized cost of the financial assets	--	(28,242,000)	5,707,409	(22,534,591)
Bonus shares acquired	--	8,358,503	--	8,358,503
Balance at the end of the period	115,904,563	899,440,735	94,501,549	1,109,846,847

11 Financial assets (continued)

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

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	35,430,000	34,975,900	35,785,699	35,785,699
Financial assets held for trading – Investment funds		106,660,295	124,230,603	124,230,603
Available for sale financial assets – Investment funds		164,298,343	165,831,625	165,831,625
Available for sale financial assets – Equity shares		37,486,872	65,096,978	65,096,978
Total		343,421,410	390,944,905	390,944,905

	31 December 2013			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

As at 31 December 2014 and 2013, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets (Note 17)	10,000,000	9,801,651	10,145,962	10,145,962
Held to maturity financial assets (Note 17)	55,937,785	57,921,026	74,133,508	73,670,047
Total	65,937,785	67,722,677	84,279,470	83,816,009

	31 December 2013			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

12 Loans and receivables

	31 December 2014	31 December 2013
Receivables from main operations <i>(Note 4.2)</i>	971,491,906	953,641,241
Prepaid taxes and funds <i>(Note 19), (Note 4.2)</i>	10,608,131	17,679,207
Income accruals <i>(Note 4.2)</i>	20,722,572	15,491,016
Other receivables <i>(Note 4.2)</i>	4,001,814	3,096,793
Due from related parties <i>(Note 4.2)</i>	--	72,324
Other current asset <i>(Note 4.2)</i>	2,359,674	1,094,866
Total	1,009,184,097	991,075,447
Short-term receivables	1,009,184,097	991,075,447
Medium and long-term receivables	--	--
Total	1,009,184,097	991,075,447

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

	31 December 2014	31 December 2013
Receivables from insurance companies	92,217,539	42,359,644
Receivables from reinsurance companies <i>(Note 10)</i>	15,749,171	58,450,134
Receivables from agencies, brokers and intermediaries	52,002,343	40,684,719
Total receivables from reinsurance operations, net	159,969,053	141,494,497
Receivables from agencies, brokers and other intermediaries	624,433,183	671,650,433
Long term receivable which is bank guarantee and three months credit card	63,044,183	
Receivables from policyholders	33,242,694	35,367,913
Salvage and subrogation receivables <i>(Note 2.21)</i>	30,648,790	29,179,630
Total receivables from insurance operations, net	751,368,850	736,197,976
Cash deposited to insurance and reinsurance companies <i>(Note 4.2)</i>	67,831,070	85,423,846
Provisions for receivables from insurance operations – subrogation receivables <i>(Note 2.21)</i>	(7,677,067)	(9,475,078)
Doubtful receivables from main operations – premium receivables	38,440,353	25,287,994
Provision for doubtful receivables from main operations – premium receivables	(38,440,353)	(25,287,994)
Doubtful receivables from insurance operations – subrogation receivables	86,645,265	88,458,511
Provisions for doubtful receivables from insurance operations – subrogation receivables	(86,645,265)	(88,458,511)
Receivables from main operations	971,491,906	953,641,241

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

	31 December 2014	31 December 2013
Letters of guarantees	77,412,426	153,668,419
Mortgage notes	71,599,108	71,636,758
Other guarantees	15,188,186	12,620,807
Government bonds and treasury bills	2,976,479	2,939,585
Total	167,176,199	240,865,569

12 Loans and receivables (continued)

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 38,440,353 for main operations (31 December 2013: TL 36,205,341) and TL 63,177 (31 December 2013: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2013: None).

c) Provision for subrogation receivables: TL 94,322,332 (31 December 2013: TL 87,016,242).

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

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

13 Derivative financial assets

As at 31 December 2014, the Group does not have derivative financial instruments (31 December 2013: None).

14 Cash and cash equivalents

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

	31 December 2014		31 December 2013	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	53,676	62,280	62,280	83,735
Bank deposits	2,098,910,576	1,505,408,327	1,505,408,327	1,487,717,553
Cheques given and payment orders	(171,519)	(1,025,984)	(1,025,984)	(1,104,472)
Bank guaranteed credit card receivables with maturities less than three months	249,449,440	252,850,367	252,850,367	159,051,422
Cash and cash equivalents in the balance sheet	2,348,242,173	1,757,294,990	1,757,294,990	1,645,748,238
Bank deposits – blocked ^(*)	(223,171,910)	(151,508,738)	(151,508,738)	(125,967,207)
Time deposits with maturities longer than 3 months	(414,971,615)	(259,281,663)	(259,281,663)	(631,832,582)
Interest accruals on banks deposits	(6,235,597)	(3,969,446)	(3,969,446)	(4,657,211)
Cash and cash equivalents presented in the statement of cash flows	1,703,863,051	1,342,535,143	1,342,535,143	883,291,238

^(*) As at 31 December 2014 TL 223,171,410 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities (31 December 2013: TL 151,508,238) (Note 17).

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

	31 December 2014	31 December 2013
Foreign currency denominated bank deposits		
- time deposits	267,015,501	219,236,891
- demand deposits	9,481,120	18,303,570
Bank deposits in Turkish Lira		
- time deposits	1,820,083,470	1,263,276,224
- demand deposits	2,330,485	4,591,642
Cash at banks	2,098,910,576	1,505,408,327

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2014 and 2013, the shareholding structure of the Company is presented below:

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

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

As at 31 December 2014, the issued share capital of the Group is TL 660,000,000 (31 December 2013: TL 615,000,000) and the share capital of the Group consists of 66,000,000,000 (31 December 2013: 61,500,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Group.

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

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

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

Equity method consolidation

As at 31 December 2014 and 2013, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% of shares is owned by the Group, is consolidated by using the equity method.

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 2014	31 December 2013
Legal reserves at the beginning of the period	76,312,898	75,456,222
Transfer from profit	1,056,418	856,676
Legal reserves at the end of the period	77,369,316	76,312,898

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

	31 December 2014	31 December 2013
Other profit reserves	25,322,878	25,325,325
Extraordinary reserves	12,047,517	16,896,500
Other capital reserves	5,048,614	4,677,381
Other earnings and losses	(381,064)	(648,686)
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	(29,022,104)	(24,809,529)

Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As at 31 December 2014, tax exempt gain from participation shares and real estate sale amounting to TL 5,048,614 (31 December 2013: TL 4,677,381) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2014	31 December 2013
Extraordinary reserves at the beginning of the period	16,896,500	17,420,430
Transfer from profit	(4,848,983)	(523,930)
Extraordinary reserves at the end of the period	12,047,517	16,896,500

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

Other profit reserves

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

As at 31 December 2014, the earthquake provision provided in accordance with this circular is TL 25,322,878 (31 December 2013: TL 25,325,325).

As of 31 December 2014, in accordance with the revision of TAS 19 TL (381,064) (31 Aralık 2013: TL (648.686)) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit on assets sale that will be transferred to capital

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

In the direction of sector announcement made by Treasury dated 27 October 2008 and numbered 2008/41, the Company classified the gain on sale from the land in real estate amounting to TL 799,260 which is into "Profit not Available for Distribution" in accordance with the Board of Directors decision dated 28 May 2013 and numbered 6680.

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 2014, total amount of statutory reserves allocated as mentioned method is TL 4,441,017 (31 December 2013: TL 43,612,652). In the current period TL 328,365 fund is provided from 2014 profit. As at 31 December 2014, total amount of statutory reserves allocated as mentioned method is TL 39,500,000. The registration of the increase has been completed as of 7 April 2014. TL 328,365 amounted of funds have been allocated from the current year profit.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2014, foreign currency translation reserve amounting to TL 11,907,682 loss (31 December 2013: TL 9,246,073 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

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

	31 December 2014	31 December 2013
Fair value reserves at the beginning of the period	18,869,209	51,655,758
Change in the fair value during the period (Note 4,2)	20,704,059	(20,976,221)
Resulted from equity accounted associate (Note 4,2)	6,313,825	(7,111,853)
Net gains transferred to the statement of income (Note 4,2)	3,522,062	(4,698,475)
Fair value reserves at the end of the period	49,409,155	18,869,209

16 Other reserves and equity component of DPF

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

As at 31 December 2014 and 2013, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

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

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

	31 December 2014	31 December 2013
Reserve for unearned premiums, gross	1,820,412,103	1,747,176,975
Reserve for unearned premiums, ceded (Note 10)	(254,801,924)	(254,300,451)
Reserve for unearned premiums, SSI share	(36,692,791)	(34,755,134)
Reserves for unearned premiums, net	1,528,917,388	1,458,121,390
Provision for outstanding claims, gross	1,934,733,354	1,481,869,505
Provision for outstanding claims, ceded (Note 10)	(187,370,933)	(113,077,255)
Provision for outstanding claims, net	1,747,362,421	1,368,792,250
Provision for unexpired risk	90,715,281	26,947,541
Provision for unexpired risk , ceded	(10,259,386)	(9,172,016)
Provision for outstanding claims, net	80,455,896	17,775,525
Equalization provision, net ^(*)	83,054,021	66,371,127
Other technical provisions, net	83,054,021	66,371,127
Life mathematical provisions	368,342	641,636
Total technical provisions, net	3,440,158,068	2,911,701,928
Short-term	3,357,104,047	2,845,330,801
Medium and long-term	83,054,021	66,371,127
Total technical provisions, net	3,440,158,068	2,911,701,928

(*) Net losses (after reinsurance resulted from earthquakes occurred in 2014 amounting to TL 27,076,935 are decreased from prior periods' equalization provision based on regulation (2013: TL 23,840,767).

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

Reserve for unearned premiums	31 December 2014			
	Gross	Ceded	SSI Share	Net
Reserve for unearned premiums at the beginning of the period	1,747,176,975	(254,300,451)	(34,755,134)	1,458,121,390
Premiums written during the period	3,868,871,562	(644,304,940)	(74,102,040)	3,150,464,582
Premiums earned during the period	(3,795,636,434)	643,803,467	72,164,383	(3,079,668,584)
Reserve for unearned premiums at the end of the period	1,820,412,103	(254,801,924)	(36,692,791)	1,528,917,388

17 Insurance liabilities and reinsurance assets (continued)

Reserve for unearned premiums	31 December 2013			Net
	Gross	Ceded	SSI Share	
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

Provision for outstanding claims	31 December 2014			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	1,481,869,505	(113,077,255)		1,368,792,250
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,564,290,665	(195,150,707)		2,369,139,958
Claims paid during the period	(2,111,426,816)	120,857,029		(1,990,569,787)
Provision for outstanding claims at the end of the period	1,934,733,354	(187,370,933)		1,747,362,421

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

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 2014		Carrying amount
	Should be placed ^(*)	Placed ^(*)	
<i>Non-life:</i>			
Bank deposits (Note 14)		222,697,267	223,171,410
Financial assets ^(*) (Note 11)		84,612,376	83,816,009
Total	282,343,518	307,309,643	306,987,419

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 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

(*) As at 31 December 2014, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies”.

(**) According to the 7th article of the “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to “Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies”, companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2014 (31 December 2013) will be through the calculated amounts as of 30 June 2014 (30 June 2013), the settled amounts as of June is presented as “should be placed” amounts.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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 2014, short-term prepaid expenses amounting to TL 294,618,259 (31 December 2013: TL 278,786,333) consist of deferred production expenses; deferred commission expenses amounting to TL 289,357,775 (31 December 2013: TL 272,881,015) and other prepaid expenses amounting to TL 5,260,484 (31 December 2013: TL 5,905,318). Long-term prepaid expenses amounting TL 3,562,038 (31 December 2013: TL 34,671) are composed of other prepaid expenses.

	31 December 2014	31 December 2013
Deferred commission expenses at the beginning of the period	272,881,015	249,836,313
Commissions accrued during the period (Note 32)	631,085,514	591,321,889
Commissions expensed during the period ^(*)	(614,608,754)	(568,277,187)
Deferred commission expenses at the end of the period	289,357,775	272,881,015

^(*) In accordance with the "Sector Amendment Related with Amendment to Sector Amendment" dated 8 February 2012 and numbered 2011/14, commissions expensed during the period is recognized as commission expense amounting to TL 614,608,754 (Note 32).

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2014	31 December 2013
Payables from main operations	333,218,811	348,117,231
Other payables	48,001,148	56,847,391
Short/long term deferred income and expense accruals	75,848,667	58,234,314
Taxes and other liabilities and similar obligations	28,779,229	28,647,704
Due to related parties (Note 45)	81,488	86,156
Total	485,929,343	491,932,796
Short-term liabilities	485,837,260	491,932,796
Long-term liabilities	92,083	--
Total	485,929,343	491,932,796

As at 31 December 2014, other payables amounting to TL 48,001,148 (31 December 2013: TL 56,847,391) consist of treatment cost payables to SSI amounting to TL 16,375,984 (31 December 2013: TL 25,801,332), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 28,666,170 (31 December 2013: TL 27,966,606) and deposits and guarantees received amounting to TL 2,958,994 (31 December 2013: TL 3,079,453).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 34,699,722 (31 December 2013: TL 30,341,851) (Note 10). Expense accruals and deferred income details are presented below:

	31 December 2014	31 December 2013
Provision for tax assessment	18,400,102	7,615,549
Personnel premium provision	9,475,316	8,942,989
Security fund provision	7,182,519	6,180,307
Agency remuneration provision	3,356,650	4,300,000
Sliding scale commission provision (Note 10)	1,359,739	649,466
Deferred rent income	175,194	104,930
Other accruals	1,107,342	99,222
Deferred income and expense accruals	41,056,862	27,892,463

Payables arising from main operations of the Group as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Payables to reinsurance companies (Note 10)	218,545,652	250,847,512
Payables to agencies, brokers and intermediaries	30,052,668	29,888,503
Cash deposited by insurance and reinsurance companies	8,514,584	4,110,433
Total payables arising from insurance operations	257,112,904	284,846,448
Payables arising from other operating activities	76,105,907	63,270,783
Payables arising from main operations	333,218,811	348,117,231

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2014	31 December 2013
Corporate tax liabilities	(21,081,960)	--
Taxes paid during the period	31,690,091	17,679,207
Corporate tax assets, net	10,608,131	17,679,207

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

None.

20 Financial liabilities

None (31 December 2013: None).

21 Deferred taxes

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

	31 December 2014	31 December 2013
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Carried forward tax losses (Not 2.18)	13,968,912	19,898,643
Provision for the pension fund deficits	5,666,145	7,263,205
Equalization provision	9,259,358	6,660,127
Provisions for employee termination benefits	3,973,165	3,750,364
Reserve for unexpired risks	16,091,179	3,554,952
Income accruals	(3,597,829)	(2,880,863)
Other provisions	2,539,062	2,445,686
Provision for subrogation receivables	1,535,413	1,895,016
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,416,022)	(1,450,880)
Discount of receivables and payables	(93,589)	88,322
Subrogation receivables from third parties	(965,401)	(603,708)
Valuation differences in financial assets	(2,800,691)	508,561
Other	(1,369,677)	(522,879)
Deferred tax assets, net	41,790,025	40,606,546

As at 31 December 2014, the Group has deductible tax losses presented below with maturities and amounts in detail. The Group has recognized deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Group's projections.

	31 December 2014	31 December 2013
31 December 2016	69,844,562	95,828,488
Total	69,844,562	95,828,488

As of 31 December 2013 Anadolu Sigorta has deductible tax losses amounting to TL 3,664,725 which will expire in 2017. This amount has been used in 2014.

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

	31 December 2014	31 December 2013
Opening balance at 1 January	40,606,546	53,565,380
Recognized in profit or loss	7,895,427	(20,539,972)
Recognized in equity	(6,711,948)	7,581,138
Closing balance at 31 December	41,790,025	40,606,546

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.

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

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

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

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

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

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 28,330,725 (31 December 2013: TL 36,316,026) is accounted as “Provision for pension fund deficits” in the accompanying consolidated financial statements.

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. Because of the sale of real estate which included into fund properties on prior period, 'Provision for Pension Fund Deficits' balance has been decreased in current period. At 31 December 2014 and 2013, technical deficit from pension funds comprised the following:

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

Plan assets are comprised of the following items:

	31 December 2014	31 December 2013
Properties	--	18,270,000
Cash and cash equivalents	36,076,138	3,658,902
Associates	6,193,278	6,995,082
Securities portfolio	--	4,786
Other	157,310	96,481
Total plan assets	42,426,726	29,025,251

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

23 Provision for other liabilities and charges

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

	31 December 2014	31 December 2013
Provision for pension fund deficits (Note 22)	28,330,725	36,316,026
Provision for employee termination benefits	18,432,669	17,564,332
Provision for unused vacation	1,433,153	1,187,490
Total provision for other risks	48,196,547	55,067,848

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

	31 December 2014	31 December 2013
Provision at the beginning of the period	17,564,332	15,179,424
Interest cost (Note 47)	1,606,697	1,142,263
Service cost (Note 47)	1,293,444	1,302,464
Payments during the period (Note 47)	(1,275,266)	(1,148,932)
Actuarial differences (Note 47)	(756,538)	1,089,113
Provision at the end of the period	18,432,669	17,564,332

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

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

29 Insurance rights and claims

	31 December 2014		31 December 2013	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,801,752)	(1,983,768,035)	(6,596,545)	(1,727,239,776)
Changes in provision for outstanding claims, net off reinsurers' share	(943,205)	(377,626,966)	(407,807)	(250,623,217)
Changes in reserve for unearned premium, net off reinsurers' share	610,995	(71,406,993)	(389,342)	(198,551,716)
Change in equalization provision	79,365	(16,762,259)	(265,425)	(15,685,103)
Change in life mathematical provisions, net off reinsurers' share	273,294	--	378,443	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	(62,680,371)	--	(11,880,697)
Total	(6,781,303)	(2,512,244,624)	(7,280,676)	(2,203,980,509)

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

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

	31 December 2014		31 December 2013	
	Life	Non life	Life	Non life
Commission expenses (Note 17)	7,617,519	606,991,235	9,126,591	559,150,596
Commissions to the intermediaries accrued during the period (Note 17)	7,973,014	623,112,500	9,243,376	582,078,513
Changes in deferred commission expenses (Note 17)	(355,495)	(16,121,265)	(116,785)	(22,927,917)
Employee benefit expenses (Note 33)	772,694	139,603,175	847,224	125,663,723
Foreign exchange losses	122,711	18,868,395	130,722	22,447,446
Administration expenses	162,680	77,182,973	20,922	77,341,542
Commission income from reinsurers (Note 10)	(161,755)	(69,805,444)	(66,285)	(75,212,165)
Commission income from reinsurers accrued during the period (Note 10)	(173,576)	(60,811,918)	(88,165)	(77,955,964)
Change in deferred commission income (Note 10)	11,821	(8,993,526)	21,880	2,743,799
Advertising and marketing expenses	--	13,987,613	--	10,695,100
Outsourced benefits and services	27,327	9,371,612	--	2,585,347
Other	(239,652)	4,717,050	5	22,799,818
Total	8,301,524	800,916,609	10,059,179	745,471,407

33 Employee benefit expenses

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

	31 December 2014		31 December 2013	
	Life	Non life	Life	Non life
Wages and salaries	522,125	99,792,172	543,890	89,754,008
Employer's share in social security premiums	168,276	22,660,731	87,881	18,873,566
Pension fund benefits	82,293	4,305,878	215,453	3,137,892
Other	--	12,844,394	--	13,898,257
Total (Note 32)	772,694	139,603,175	847,224	125,663,723

34 Financial costs

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

35 Income tax expense

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

	31 December 2014	31 December 2013
<i>Corporate tax expense:</i>		
Corporate tax provision	(21,081,960)	--
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	7,895,427	(20,539,972)
Total tax expense	(13,186,533)	(20,539,972)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2014 and 2013 is as follows:

	31 December 2014		31 December 2013	
		Tax rate (%)		Tax rate (%)
Profit before taxes	104,831,639		120,526,022	
Taxes on income per statutory tax rate	20,966,328	20.00	24,105,204	20.00
Tax exempt income	(7,954,037)	(7.59)	(6,571,112)	(5.45)
Non-deductible expenses	174,242	0.17	3,005,880	2.49
Total tax expense recognized in consolidated profit or loss	13,186,533	12.58	20,539,972	17.04

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2014	31 December 2013
Net profit for the period	91,645,106	99,986,050
Weighted average number of shares	66,000,000,000	66,000,000,000
Earnings per share (TL)	0.00138856	0.00151494

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

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortization, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

As a result of the Ordinary General Meeting of the Company held on 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from previous years.

39 Cash generated from operations

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

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2014, total amount of the claims that the Group face is TL 1,040,392,000 in gross (31 December 2013: TL 726,988,000), The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2014, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 194,259,000 (31 December 2013: TL 206,337,000).

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

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

As of the report date the Company made a payment of TL 3,801,378 for tax assessments, also due to a precautionary condition the company has made a provision to the amount of TL 15,489,301 (31 December 2013: TL 7,615,549).

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2.1 million (actual tax), and TL 3.1 million tax penalty is announced by reason to tax salvage operations not subject to the banking and insurance transactions tax. The company does not make any provision for this tax penalty because of thinking that the Company's operations are in line with the local regulations.

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

Legal process has been initiated related to 2007 and 2008, also as of the date of this report, there are legal cases against/on behalf of us and also for the against result cases, the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases were made to relevant parties. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011. As of the date of this report, the Company has reserved provision amounted TL 2,910,801 for the payment orders received (31 December 2013: None).

43 Commitments

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

	31 December 2014	31 December 2013
Within one year	8,225,284	6,226,305
Between one to five years	4,950,268	7,725,700
More than 5 years	--	--
Total of minimum rent payments	13,175,552	13,952,005

44 Business combinations

None.

45 Related party transactions

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

The related party balances as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	233,371,896	133,352,802
Bonds issued by İş Bankası A.Ş. (Note 11)	--	122,028,890
Equity shares of the related parties (Note 11)	65,096,978	52,870,099
Investment funds founded by İşbank GmbH (Note 11)	28,398,072	13,944,765
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. (Note 11)	9,830,300	--
Bonds issued by İş Yatırım Menkul Değerler A.Ş. (Note 11)	15,972,195	13,588,729
Investment funds founded by İş Bankası A.Ş. (Note 11)	9,618,449	5,405,505
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	12,320,065	18,881,470
Investment funds founded by İşbank GmbH (Note 11)	16,336,950	--
Financial assets	390,944,905	360,072,260
Türkiye İş Bankası A.Ş	834,620,279	1,103,365,968
Other	822	13,158
Banks	834,621,101	1,103,379,126
Türkiye İş Bankası AŞ	91,802,800	76,454,603
Axa Sigorta AŞ	7,655,182	7,348,938
Şişecam Sigorta Aracılık Hizmetleri AŞ	2,924,252	5,743,294
Groupama Sigorta AŞ	1,689,735	529,594
Anadolu Hayat	679,124	118,698
Ziraat Hayat ve Emeklilik	433,125	631,966
Trakya Cam Sanayii AŞ	167,971	--
İstanbul Umum Sigorta AŞ	105,003	89,576
Ergo Sigorta AŞ	18,246	18,245
Allianz Sigorta AŞ	--	2,334,720
Ziraat Sigorta AŞ	--	914,258
Receivables from main operations	105,475,438	94,183,892
Due from personnel	--	72,324
Due from related parties	--	72,324
Türkiye İş Bankası AŞ	7,082,553	5,900,234
Ergo Sigorta AŞ	3,619,529	6,290,123
Güven Sigorta TAŞ	2,192,741	746,997
Allianz Sigorta AŞ	751,048	37,892
Ziraat Sigorta AŞ	352,262	--
Groupama Sigorta AŞ	60,224	57,003
Axa Sigorta AŞ	54,833	52,740
İstanbul Umum Sigorta AŞ	44,343	41,830
Şişecam Sigorta Aracılık Hizmetleri AŞ	23,437	365,739
AvivaSa Emeklilik AŞ	--	372
Payables from main operations	14,180,970	13,492,930
Due to shareholders	53,738	72,450
Due to other related parties	27,750	13,706
Due to related parties	81,488	86,156

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
İş Bankası	328,891,626	261,701,058
Axa Sigorta AŞ	43,051,681	40,679,330
Şişecam Sigorta Aracılık Hizmetleri AŞ	41,316,107	38,432,938
Ergo Sigorta AŞ	17,563,499	20,126,753
İş Finansal Kiralama kanalı ile yazılan primler	17,077,324	--
Groupama Sigorta AŞ	12,215,432	9,227,875
Ziraat Sigorta AŞ	9,462,839	6,668,139
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	2,048,792	36
Ziraat Hayat ve Emeklilik	1,949,018	2,236,068
Allianz Sigorta AŞ	1,001,533	29,752,319
Anadolu Hayat	859,473	2,682,753
TSKB kanalı ile yazılan primler	101,511	--
AvivaSa Emeklilik AŞ	(382)	147,535
Premiums received	475,538,453	411,654,804
Ergo Sigorta AŞ	10,111	12,818
Groupama Sigorta AŞ	7,992	3,615
Axa Sigorta AŞ	3,447	1,816
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,359	591
Allianz Sigorta AŞ	90	18
İstanbul Umum Sigorta AŞ	34	4
Premiums ceded	23,033	18,862
Axa Sigorta AŞ	399	(968)
İstanbul Umum Sigorta AŞ	(2)	--
Allianz Sigorta AŞ	(4)	2
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(182)	(377)
Ergo Sigorta AŞ	(330)	(1,721)
Groupama Sigorta AŞ	(2,839)	(2,096)
Commissions received	(2,958)	(1,718)
İş Bankası	33,650,040	(23,198,017)
Şişecam Sigorta Aracılık Hizmetleri AŞ	8,674,189	(7,353,671)
Axa Sigorta AŞ	7,705,485	7,453,799
Ergo Sigorta A.Ş	4,382,862	3,206,199
Ziraat Sigorta AŞ	2,259,787	1,584,204
Groupama Sigorta AŞ	1,968,242	1,569,297
Allianz Sigorta AŞ	1,812,204	7,208,680
Anadolu Hayat	263,521	293,709
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(1)	(16,700)
AvivaSa Emeklilik AŞ	(191)	116,677
İş Finansal Kiralama	(3,240,935)	--
Commissions given	57,475,203	(9,135,823)

45 Related party transactions (continued)

	31 December 2014	31 December 2013
Groupama Sigorta AŞ	28,775,974	5,083,342
Ergo Sigorta AŞ	16,418,632	18,813,359
Axa Sigorta AŞ	12,458,213	29,923,899
Allianz Sigorta AŞ	9,570,599	10,687,045
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	4,307,333	1,255,493
Ziraat Sigorta A.Ş.	2,986,945	3,127,877
Ziraat Hayat ve Emeklilik	735,576	1,447,702
Anadolu Hayat	100,216	125,444
AvivaSa Emeklilik AŞ	54,000	97,033
Claims paid	75,407,488	70,561,194
Groupama Sigorta AŞ	233,044	164,896
Ergo Sigorta AŞ	211,383	75,352
Axa Sigorta AŞ	133,552	118,737
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	77,160	62,798
İstanbul Umum Sigorta AŞ	16,835	15,759
Allianz Sigorta AŞ	14,241	12,111
Reinsurance's share of claims paid	686,215	449,653
Allianz Sigorta AŞ	370,011	136,473
Groupama Sigorta AŞ	51,753	134,495
Ziraat Sigorta A.Ş.	6,349	24,875
Anadolu Hayat	823	2,869
AvivaSa Emeklilik AŞ	35	122
Ergo Sigorta AŞ	(47,895)	612,076
Axa Sigorta AŞ	(63,408)	1,422,610
Other income	317,668	2,333,520
Ergo Sigorta AŞ	353,710	323,749
Allianz Sigorta AŞ	209,265	82,705
Axa Sigorta AŞ	187,955	254,596
Groupama Sigorta AŞ	36,872	22,614
Ziraat Sigorta A.Ş.	7,444	5,750
Ziraat Hayat ve Emeklilik	7,229	2,331
Anadolu Hayat	4,060	465
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	33	--
AvivaSa Emeklilik AŞ	5	16
Other expenses	806,573	692,226

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

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

None.

As at and for the year ended 31 December 2014 and 2013, details of discount and provision expenses are as follows:

	31 December 2014	31 December 2013
Provision expense for doubtful receivables (Note 4.2) ^(*)	(11,339,113)	(16,204,729)
Provision for pension fund deficits (Note 23)	7,985,301	(5,220,631)
Provision expense for employee termination benefits (Note 23)	(1,624,875)	(1,295,795)
Provision expenses for unused vacation (Note 23)	(245,663)	(338,452)
Provision expenses for tax assessments (Note 4.2)	(10,784,553)	(7,615,549)
Other provision expenses (Note 4.2) ^(*)	804	1,798
Provision expenses	(16,008,099)	(30,673,358)

(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 11,339,113 (31 December 2013: TL 16,373,929) and there is not any provision expense on doubtful receivables from other receivables (Note 4.2) (31 December 2013: TL 169,200).

	31 December 2014	31 December 2013
Rediscount income / (expense) from main operations receivables	12,637,725	(10,487,709)
Rediscount income / (expense) from main operations payables	(15,657,400)	12,868,639
Total of rediscounts	(3,019,675)	2,380,930