



*(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
Unconsolidated 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 76 pages of financial information
together with their explanatory notes.*



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00

Fax +90 (216) 681 90 90

Internet www.kpmg.com.tr

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Introduction

We have audited the accompanying unconsolidated balance sheet of Milli Reasürans Türk Anonim Şirketi (the "Company") as at 31 December 2014 and the related unconsolidated statements of income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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



Independent Auditors' Opinion

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

Report on Other Legal and Regulatory Requirements

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

Akis Bağımsız Denetim ve 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 unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

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

Istanbul, 16 February 2015

Şule SOYLU
Group Manager

Kemal ÇUHACI
Assistant
General Manager

Hasan Hulki YALÇIN
General Manager

Ertan TAN
Actuary

CONTENTS	PAGE:
UNCONSOLIDATED BALANCE SHEET	1-5
UNCONSOLIDATED STATEMENT OF INCOME.....	6-8
UNCONSOLIDATED STATEMENT OF CASH FLOWS	9
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION	11
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS.....	12-76
NOTE 1 GENERAL INFORMATION	12-14
NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	15-36
NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES.....	37
NOTE 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK.....	38-49
NOTE 5 SEGMENT REPORTING.....	49
NOTE 6 TANGIBLE ASSETS	50
NOTE 7 INVESTMENT PROPERTIES	51
NOTE 8 INTANGIBLE ASSETS	51
NOTE 9 INVESTMENTS IN ASSOCIATES	52
NOTE 10 REINSURANCE ASSETS AND LIABILITIES	53
NOTE 11 FINANCIAL ASSETS	54-56
NOTE 12 LOANS AND RECEIVABLES	57
NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS	58
NOTE 14 CASH AND CASH EQUIVALENTS	58
NOTE 15 EQUITY	59-60
NOTE 16 OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION ...	60
NOTE 17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS	61-63
NOTE 18 INVESTMENT CONTRACT LIABILITIES	63
NOTE 19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME	64
NOTE 20 FINANCIAL LIABILITIES	64
NOTE 21 DEFERRED TAXES	65
NOTE 22 RETIREMENT BENEFIT OBLIGATIONS.....	66-67
NOTE 23 PROVISION FOR OTHER LIABILITIES AND CHARGES	68
NOTE 24 NET INSURANCE PREMIUM	68
NOTE 25 FEE REVENUE	68
NOTE 26 INVESTMENT INCOME.....	68
NOTE 27 NET INCOME ACCRUAL ON FINANCIAL ASSETS	68
NOTE 28 ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	68
NOTE 29 INSURANCE RIGHTS AND CLAIMS	69
NOTE 30 INVESTMENT CONTRACT BENEFITS	69
NOTE 31 OTHER EXPENSES	69
NOTE 32 OPERATING EXPENSES	69
NOTE 33 EMPLOYEE BENEFIT EXPENSES	69
NOTE 34 FINANCIAL COSTS	70
NOTE 35 INCOME TAX EXPENSE	70
NOTE 36 NET FOREIGN EXCHANGE GAINS	70
NOTE 37 EARNINGS PER SHARE	70
NOTE 38 DIVIDENDS PER SHARE	71
NOTE 39 CASH GENERATED FROM OPERATIONS	72
NOTE 40 CONVERTIBLE BONDS.....	72
NOTE 41 REDEEMABLE PREFERENCE SHARES	72
NOTE 42 RISKS	72
NOTE 43 COMMITMENTS.....	72
NOTE 44 BUSINESS COMBINATIONS	72
NOTE 45 RELATED PARTY TRANSACTIONS.....	73-75
NOTE 46 SUBSEQUENT EVENTS	75
NOTE 47 OTHER	76

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

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

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

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

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

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

ASSETS			
	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
II- Non-Current Assets			
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	407,993,857	381,857,848
2- Investments in Associates		--	--
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	407,993,857	381,857,848
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets			
1- Investment Properties	6,7	42,156,119	42,994,518
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	31,962,582	31,392,945
4- Machinery and Equipments		--	--
5- Furniture and Fixtures	6	3,925,734	3,540,753
6- Motor Vehicles	6	1,312,210	1,278,823
7- Other Tangible Assets (Including Leasehold Improvements)		--	--
8- Tangible Assets Acquired Through Finance Leases		--	--
9- Accumulated Depreciation	6	(36,387,246)	(34,560,842)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets			
1- Rights	8	786,388	705,799
2- Goodwill		2,666,031	2,373,390
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(1,879,643)	(1,667,591)
7- Advances Paid for Intangible Assets		--	--
G- Prepaid Expenses and Income Accruals			
1- Deferred Acquisition Costs		--	--
2- Income Accruals		--	--
3- Other Prepaid Expenses		--	5,479
H- Other Non-Current Assets			
1- Effective Foreign Currency Accounts	21	22,634,031	24,710,359
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	22,634,031	24,710,359
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets			
		473,570,395	450,274,003
TOTAL ASSETS			
		2,003,646,493	1,847,223,745

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

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

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

LIABILITIES			
	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	48,148,405	41,083,420
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		41,910,954	40,078,893
3- Cash Deposited by Insurance and Reinsurance Companies		1,237,451	1,004,527
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	19	81,488	86,156
1- Due to Shareholders	45	53,738	72,450
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties	45	27,750	13,706
D- Other Payables	19	439,815	312,611
1- Deposits and Guarantees Received		42,417	42,417
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables	19	397,398	270,194
4- Discount on Other Miscellaneous Payables		--	--
E- Insurance Technical Provisions	17	1,141,736,356	1,035,107,914
1- Reserve for Unearned Premiums - Net	17	359,959,784	349,862,656
2- Reserve for Unexpired Risks- Net	17	41,148,829	5,895,886
3- Life Mathematical Provisions - Net	17	368,342	641,636
4- Provision for Outstanding Claims - Net	17	740,259,401	678,707,736
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	1,393,094	1,156,680
1- Taxes and Funds Payable		1,294,711	1,065,278
2- Social Security Premiums Payable		98,383	91,402
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		--	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		--	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	19	7,114,035	3,519,550
1- Deferred Commission Income	10,19	445,382	372,409
2- Expense Accruals	19	6,493,459	3,042,211
3- Other Deferred Income	19	175,194	104,930
F- Other Short Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		--	--
III-- Total Short Term Liabilities		1,193,913,193	1,081,266,931

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

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

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

LIABILITIES			
	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			
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E- Insurance Technical Provisions	17	22,504,145	21,791,287
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	22,504,145	21,791,287
F- Other Liabilities and Relevant Accruals			
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks			
1- Provisions for Employment Termination Benefits	23	34,155,279	42,160,216
2- Provisions for Pension Fund Deficits	22,23	28,330,725	36,316,026
H- Deferred Income and Expense Accruals			
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	92,083	--
I- Other Long Term Liabilities			
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		56,731,507	63,951,503

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

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

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

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Paid in Capital		660,000,000	615,000,000
1- (Nominal) Capital	2,13,15	660,000,000	615,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	15	(11,907,682)	(9,246,073)
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(11,907,682)	(9,246,073)
5- Other Capital Reserves		--	--
C- Profit Reserves		117,604,060	120,001,241
1- Legal Reserves	15	49,622,694	49,622,694
2- Statutory Reserves	15	--	39,500,000
3- Extraordinary Reserves	15	12,899	5,512,899
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	68,254,045	25,630,918
6- Other Profit Reserves	15	(285,578)	(265,270)
D- Retained Earnings		--	--
1- Retained Earnings		--	--
E- Accumulated Losses		(23,749,257)	(46,388,171)
1- Accumulated Losses		(23,749,257)	(46,388,171)
F- Net Profit/(Loss) for the Year		11,054,672	22,638,914
1- Net Profit for the Year		11,054,672	22,638,914
2- Net Loss for the Year		--	--
3- Net Profit for the Period not Subject to Distribution		--	--
V- Total Equity		753,001,793	702,005,911
TOTAL EQUITY AND LIABILITIES		2,003,646,493	1,847,223,745

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

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

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

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

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

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

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
I-TECHNICAL SECTION			
E- Life Technical Expense		(15,693,822)	(16,950,519)
1- Incurred Losses (Net of Reinsurer Share)		(7,744,956)	(7,004,352)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,801,752)	(6,596,545)
1.1.1- Claims Paid, gross	17	(10,861,957)	(6,641,402)
1.1.2- Claims Paid, ceded	10,17	4,060,205	44,857
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(943,204)	(407,807)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1,109,506)	(1,421,346)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	166,302	1,013,539
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	273,294	378,443
3.1- Change in Mathematical Provisions, gross	29	273,294	378,443
3.1.1- Actuarial Mathematical Provisions		273,294	378,443
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	79,365	(265,425)
5- Operating Expenses	32	(8,301,525)	(10,059,179)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
E- Net Technical Income- Life (D – E)		5,329,457	4,420,486
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G – H)		--	--

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

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

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
II-NON-TECHNICAL SECTION			
G- Net Technical Income – Non-Life (A-B)		(2,801,205)	6,298,192
F- Net Technical Income – Life (D-E)		5,329,457	4,420,486
I- Net Technical Income – Reinsurer Business (G-H)		--	--
J- Total Net Technical Income (C+F+I)		2,528,252	10,718,678
K- Investment Income		139,908,159	114,774,966
1- Income from Financial Assets	4.2	85,167,377	73,775,818
2- Income from Disposal of Financial Assets	4.2	30,235,052	11,771,610
3- Valuation of Financial Assets	4.2	(2,715,810)	(6,225,984)
4- Foreign Exchange Gains	4.2	14,784,524	20,774,871
5- Income from Associates	4.2	--	--
6- Income from Subsidiaries and Joint Ventures	4.2	347,307	1,925
7- Income from Property, Plant and Equipment	7	11,853,524	10,331,531
8- Income from Derivative Transactions	4.2	236,185	4,345,195
9- Other Investments		--	--
10- Income Transferred from Life Section		--	--
L- Investment Expense		(136,665,567)	(90,248,876)
1- Investment Management Expenses (inc. interest)	4.2	(277,185)	(1,472,447)
2- Diminution in Value of Investments		--	--
3- Loss from Disposal of Financial Assets	4.2	(9,871,181)	(9,840,257)
4- Investment Income Transferred to Non-Life Technical Section		(111,330,054)	(63,118,469)
5- Loss from Derivative Transactions	4.2	(97,745)	(6,400,095)
6- Foreign Exchange Losses	4.2	(6,885,399)	(2,578,350)
7- Depreciation and Amortization Expenses	6.8	(2,127,443)	(2,137,359)
8- Other Investment Expenses		(6,076,560)	(4,701,899)
M- Income and Expenses From Other and Extraordinary Operations		5,288,828	(12,605,854)
1- Provisions	47	4,352,561	(6,780,407)
2- Rediscounts	47	340,606	26,996
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	2,064,884	--
6- Deferred Taxation (Deferred Tax Liabilities)	35	--	(6,036,785)
7- Other Income		145,797	214,969
8- Other Expenses and Losses		(1,620,020)	(30,627)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		11,054,672	22,638,914
1- Profit for the Year		11,054,672	22,638,914
2- Corporate Tax Provision and Other Fiscal Liabilities	35	--	--
3- Net Profit for the Year		11,054,672	22,638,914
4- Monetary Gains and Losses		--	--

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

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

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

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

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

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

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

Audited Changes in Equity – 31 December 2013											
Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
I - Balance at the end of the previous year – 31 December 2012	615,000,000	--	(1,260,700)	--	(3,588,736)	49,622,694	39,500,000	5,512,899	98,348,818	(144,736,989)	658,397,986
A- Capital increase (A1+A2)	--	--	--	--	--	--	--	--	--	--	--
I- In cash	--	--	--	--	--	--	--	--	--	--	--
2- From reserves	--	--	--	--	--	--	--	--	--	--	--
B- Purchase of own shares	--	--	--	--	--	--	--	--	--	--	--
C- Gains or losses that are not included in the statement of income	--	--	--	--	--	--	--	(265,270)	--	--	(265,270)
D- Change in the value of financial assets	--	--	26,891,618	--	--	--	--	--	--	--	26,891,618
E- Currency translation adjustments	--	--	--	(5,657,337)	--	--	--	--	--	--	(5,657,337)
F- Other gains or losses	--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences	--	--	--	--	--	--	--	--	--	--	--
H- Net profit for the year	--	--	--	--	--	--	--	--	22,638,914	--	22,638,914
I- Other reserves and transfers from retained earnings	--	--	--	--	--	--	--	--	(98,348,818)	98,348,818	--
J- Dividends paid	--	--	--	--	--	--	--	--	--	--	--
II - Balance at the end of the year – 31 December 2013	615,000,000	--	25,630,918	--	(9,246,073)	49,622,694	39,500,000	5,247,629	22,638,914	(46,388,171)	702,005,911

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
I - Balance at the end of the previous year – 31 December 2013	615,000,000	--	25,630,918	--	(9,246,073)	49,622,694	39,500,000	5,247,629	22,638,914	(46,388,171)	702,005,911
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- Purchase of own shares	--	--	--	--	--	--	--	--	--	--	--
C- Gains or losses that are not included in the statement of income	--	--	--	--	--	--	--	(20,308)	--	--	(20,308)
D- Change in the value of financial assets	--	--	42,623,127	--	--	--	--	--	--	--	42,623,127
E- Currency translation adjustments	--	--	--	--	(2,661,609)	--	--	--	--	--	(2,661,609)
F- Other gains or losses	--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences	--	--	--	--	--	--	--	--	--	--	--
H- Net profit for the year	--	--	--	--	--	--	--	--	11,054,672	--	11,054,672
I- Other reserves and transfers from retained earnings	--	--	--	--	--	--	--	--	(22,638,914)	22,638,914	--
J- Dividends paid	--	--	--	--	--	--	--	--	--	--	--
II - Balance at the end of the year – 31 December 2014	660,000,000	--	68,254,045	--	(11,907,682)	49,622,694	--	(272,679)	11,054,672	(23,749,257)	953,001,993

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

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

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

	Note	Audited Current Period 31 December 2014 ^(*)	Audited Prior Period 31 December 2013
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT		11,054,672	22,638,914
1.2. TAXES AND DUTIES PAYABLE	35	--	--
1.2.1. Corporate Tax (Income Tax)	35	--	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		11,054,672	22,638,914
1.3. ACCUMULATED LOSSES (-)		(23,749,257)	(46,388,171)
1.4. FIRST LEGAL RESERVES (-)		--	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]		(12,694,585)	(23,749,257)
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. To owners of ordinary shares		--	--
1.6.2. To owners of privileged shares		--	--
1.6.3. To owners of redeemed shares		--	--
1.6.4. To holders profit sharing bonds		--	--
1.6.5. To holders of profit and loss sharing certificates		--	--
1.7. DIVIDENDS TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO FOUNDERS (-)		--	--
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.10.1. To owners of ordinary shares		--	--
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.11. LEGAL RESERVES (-)		--	--
1.12. STATUTORY RESERVES(-)		--	--
1.13. EXTRAORDINARY RESERVES		--	--
1.14. OTHER RESERVES		--	--
1.15. SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1. To owners of ordinary shares		--	--
2.3.2. To owners of privileged shares		--	--
2.3.3. To owners of redeemed shares		--	--
2.3.4. To holders of profit sharing bonds		--	--
2.3.5. To holders of profit and loss sharing certificates		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE			
3.1. TO OWNERS OF ORDINARY SHARES		--	--
3.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
3.3. TO OWNERS OF PRIVILEGED SHARES		--	--
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF ORDINARY SHARES		--	--
4.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3. TO OWNERS OF PRIVILEGED SHARES		--	--
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--

^(*) Since the Company does not have net profit available for distribution for the year ended 31 December 2014 and 2013, the profit distribution table is not prepared.

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements

As at 31 December 2014

(Currency: Turkish Lira (TL))

1 General information

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

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

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

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

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

1.3 Business of the Company

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

1.4 Description of the main operations of the Company

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

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

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

1 General information (continued)

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

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

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

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2014, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 4,495,282 (31 December 2013: TL 4,527,575).

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

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at 31 December 2014 separately.

1 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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

Additional paragraph for convenience translation to English

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

2 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 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 Current and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not 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.

2 Summary of significant accounting policies (continued)

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

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

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2014, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

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

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

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

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2014, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

2 Summary of significant accounting policies (continued)

2.5 Tangible assets

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Investment property

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

Investment properties are measured initially at cost including transaction costs.

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

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

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

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

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

Derivative financial instruments are initially recognized at their fair value.

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

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

2 Summary of significant accounting policies (continued)

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As at 31 December 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.

2 Summary of significant accounting policies (continued)

2.13 Capital (continued)

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

2 Summary of significant accounting policies (continued)

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:
 - (1) the performance of a specified pool of contracts or a specified type of contract;
 - (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) the profit or loss of the Company, Fund or other entity that issues the contract.

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

2.16 Investment contracts with DPF

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2014, the Company has deductible tax losses, amounting to TL 69,844,562 (31 December 2013: TL 95,828,488).

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

2 Summary of significant accounting policies (continued)

2.18 Income taxes (continued)

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

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:

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

Employee termination benefits

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

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Discount rate	3.77%	3.77%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	2.00%	2.00%

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

Other benefits

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

2 Summary of significant accounting policies (continued)

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

Commission income and expenses

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

Interest income and expenses

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

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Trading income/expense

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

Dividends

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

2.22 Leasing transaction

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

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

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 26 March 2014, the Company has profit amounting to TL 22,638,914 for 2013, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

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

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

2 Summary of significant accounting policies (continued)

2.24 Reserve for unearned premiums (continued)

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

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

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

2.25 Provision for outstanding claims

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

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

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 Company could not perform big claim elimination by Box Plox method.

Branches	31 December 2014	31 December 2013
Fire and natural disasters	Standard Chain Ladder	Standard Chain Ladder
General losses ^(*)	Standard Chain Ladder	Standard Chain Ladder
General liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Standard Chain Ladder
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Standard Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Guarantee	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2014)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 3/2012)

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

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

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2014, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

As at the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 73,634,948 (31 December 2013: TL 3,945,150 negative IBNR) as provision for outstanding claims. As at the reporting date, TL 38,202,017 (31 December 2013: TL 30,299,954) of IBNR provision is recorded for Singapore branch.

2 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.

As at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 41,148,829 in the accompanying unconsolidated financial statements (31 December 2013: TL 5,895,886).

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 unconsolidated financial statements. As at the reporting date, the Company has recognized equalization provision amounting to TL 22,504,145 (31 December 2013: TL 21,791,287).

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

2.29 Related parties

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

2.30 Earning per share

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

2.31 Subsequent events

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

2 Summary of significant accounting policies (continued)

2.32 New standards and interpretations not yet adopted

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

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

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 9* – Investments in subsidiaries
- Note 10* – Reinsurance assets/liabilities
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Note 17* – Deferred acquisition costs
- Note 21* – Deferred income taxes
- Note 23* – Other liabilities and cost provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

Sensitivity to insurance risk

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

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

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Insurance risk concentrations

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

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

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

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

- credit risk
- liquidity risk
- market risk

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

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

Credit risk

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

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

Doubtful receivables are monitored quarterly.

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

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

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

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

(*) Cash on hands balance amounting to TL 16,329 are not included (31 December 2013: TL 13,024).

(**) Equity shares amounting to TL 98,057,510 are not included (31 December 2013: TL 80,066,465).

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

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

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

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

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

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

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

Liquidity risk

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

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

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

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

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

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	742,193,459	197,081,321	484,662,026	35,093,224	25,356,888	--
Financial assets ^(*)	392,171,211	139,109,421	19,864,697	6,912,959	18,824,946	207,459,188
Receivables from main operations	177,242,782	93,184,405	22,971,439	11,275,299	49,811,639	--
Other receivables and current assets	27,551,810	27,276,803	--	--	275,007	--
Total monetary assets	1,339,159,262	456,651,950	527,498,162	53,281,482	94,268,480	207,459,188
Insurance technical provisions ^(**)	740,259,401	--	--	--	--	740,259,401
Payables arising from main operations	43,148,405	39,311,514	3,836,891	--	--	--
Provisions for other risks and expense accruals	40,628,738	6,493,459	--	--	--	34,135,279
Other liabilities	439,815	439,815	--	--	--	--
Provisions for taxes and other similar obligations	1,393,094	1,393,094	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	825,950,941	47,719,370	3,836,891	--	--	774,394,680

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

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

4 Management of 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
Cash and cash equivalents	603,582,774	420,220,531	123,926,029	33,753,280	25,682,934	--
Financial assets ^(*)	417,181,634	85,377,409	15,811,813	17,756,542	12,179,861	286,056,009
Receivables from main operations	185,157,785	72,987,610	23,909,256	27,698,515	60,562,404	--
Other receivables and current assets	22,879,712	22,786,869	-	-	92,843	--
Total monetary assets	1,228,801,905	601,372,419	163,647,098	79,208,337	98,518,042	286,056,009
Insurance technical provisions ^(**)	678,707,736	--	--	--	--	678,707,736
Payables arising from main operations	41,083,420	29,554,022	10,115,231	--	1,414,167	--
Provisions for other risks and expense accruals	45,202,427	3,042,211	--	--	--	42,160,216
Other liabilities	312,611	312,611	--	--	--	--
Provisions for taxes and other similar obligations	1,156,680	1,156,680	--	--	--	--
Due to related parties	86,156	86,156	--	--	--	--
Total monetary liabilities	766,549,030	34,151,680	10,115,231	--	1,414,167	720,867,952

(*) Equity shares amounting to TL 80,066,465 are not included.

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

Market risk

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

Foreign currency risk

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

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

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

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk (continued)

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

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

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

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	5,198,284	5,198,284	1,428,052	1,428,052
Euro	(7,673,982)	(7,673,982)	(4,209,328)	(4,209,328)
Others	165,033	165,033	(877,453)	(877,453)
Total, net	(2,310,665)	(2,310,665)	(3,658,729)	(3,658,729)

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk

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

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

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

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 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	(24,576)	12,785	(24,576)	12,785
Available for sale financial assets	--	--	(4,479,247)	4,474,742
Total, net	(24,576)	12,785	(4,503,823)	4,487,527
	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Financial assets held for trading	(13,514)	13,516	(13,514)	13,516
Available for sale financial assets	--	--	(5,144,003)	5,524,843
Total, net	(13,514)	13,516	(5,157,517)	5,538,359

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

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

Classification relevant to fair value information

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

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

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

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

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

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

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

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

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

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

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

Equity share price risk

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

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2014 and 2013.

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

The effect of changes in fair values of the financial assets held for trading on profit or loss that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2014 and 2013.

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market 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
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(7,131,785)	1,974,743
Interest income from bank deposits	58,414,660	40,231,034
Interest income from debt securities classified as available-for-sale financial assets	36,092,465	21,159,004
Income from equity shares	8,081,920	15,809,199
Foreign exchange gains	14,784,524	20,774,871
Interest income from debt securities classified as held for trading financial assets	2,356,733	1,271,828
Income from investment funds	13,578,942	(1,697,923)
Interest income from repos	1,293,630	573,560
Income from derivative transactions	236,185	4,345,194
Income from subsidiaries	347,307	1,925
Other	54	--
Investment income	128,054,635	104,443,435
Loss from derivative transactions	(97,745)	(6,400,095)
Foreign exchange losses	(6,885,399)	(2,578,350)
Loss from disposal of financial assets	(9,871,181)	(9,840,257)
Investment management expenses (including interest)	(277,185)	(1,472,447)
Investment expenses	(17,131,510)	(20,291,149)
Investment income, net	110,923,125	84,152,286
<i>Gains and losses recognized in the statement of equity, net:</i>	31 December 2014	31 December 2013
Fair value changes in available for sale financial assets (Note 15)	35,491,342	28,866,361
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	7,131,785	(1,974,743)
Total	42,623,127	26,891,618

4 Management of 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 as at 31 December 2014 (31 December 2013: TL 254,861,165). As at 31 December 2014 and 2013, the capital amount of the Company presented in the unconsolidated financial statements are TL 753,001,793 and TL 702,005,911 respectively and capital surplus of the Company is amounting to TL 202,440,687 according to the communiqué.

5 Segment reporting

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

As at 31 December 2014, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

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

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

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

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

	1 January 2013	Additions	Foreign currency translation effect ^(*)	Disposals	31 December 2013
Cost:					
Investment properties (Note 7)	41,342,839	--	--	--	41,342,839
Owner occupied properties	31,392,945	--	--	--	31,392,945
Furniture and fixtures	3,503,244	131,997	42,786	(137,274)	3,540,753
Motor vehicles	1,215,214	--	63,609	--	1,278,823
	77,454,242	131,997	106,395	(137,274)	77,555,360
Accumulated depreciation:					
Investment properties (Note 7)	17,884,987	826,855	--	--	18,711,842
Owner occupied properties	11,937,920	627,859	--	--	12,565,779
Furniture and fixtures	2,162,967	368,004	39,443	(126,234)	2,444,180
Motor vehicles	594,796	225,198	19,047	--	839,041
	32,580,670	2,047,916	58,490	(126,234)	34,560,842
Carrying amounts	44,873,572				42,994,518

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

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

There is not any revaluation on tangible assets.

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

7 Investment properties

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

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

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

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

8 Intangible assets

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

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

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

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

	1 January 2013	Additions	Foreign currency translation effects ^(*)	Disposal	31 December 2013
Cost:					
Other intangible assets	2,105,443	52,861	215,086	--	2,373,390
	2,105,443	52,861	215,086	--	2,373,390
Accumulated amortization:					
Other intangible assets	1,363,119	89,443	215,029	--	1,667,591
	1,363,119	89,443	215,029	--	1,667,591
Carrying amounts	742,324				705,799

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

9 Investments in associates

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

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

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

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

10 Reinsurance asset and liabilities

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

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

There is no impairment losses recognized for reinsurance assets.

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

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

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

11 Financial assets

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

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

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

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds – TL	4,990,000	4,991,033	5,073,117	5,073,117
		4,991,033	5,073,117	5,073,117
<i>Non-fixed income financial assets:</i>				
Equity shares		1,946,821	879,070	879,070
		1,946,821	879,070	879,070
Total financial assets held for trading		6,937,854	5,952,187	5,952,187
	31 December 2013			
	Face value	Cost	Fair value	Carrying value
<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
		17,849,175	19,599,174	19,599,174
<i>Non-fixed income financial assets:</i>				
Equity shares		2,129,282	908,463	908,463
Investment funds – TL		--	--	--
Investment funds – FC		7,743,600	9,766,278	9,766,278
		9,872,882	10,674,741	10,674,741
Total financial assets held for trading		27,722,057	30,273,915	30,273,915

11 Financial assets (continued)

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

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	171,362,688	175,256,514	179,580,642	179,580,642
Private sector bonds – TL	67,473,900	67,051,039	68,408,031	68,408,031
		242,307,553	247,988,673	247,988,673
<i>Non-fixed income financial assets:</i>				
Equity shares		56,887,745	97,178,440	97,178,440
Investment funds		137,985,799	139,109,421	139,109,421
		194,873,544	236,287,861	236,287,861
Total available-for-sale financial assets		437,181,097	484,276,534	484,276,534
	31 December 2013			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	260,542,235	265,962,105	268,291,941	268,291,941
Private sector bonds - TL	43,421,032	43,402,220	43,920,979	43,920,979
		309,364,325	312,212,920	312,212,920
<i>Non-fixed income financial assets:</i>				
Investment funds		48,180,838	79,158,002	79,158,002
		78,003,573	75,603,262	75,603,262
		126,184,411	154,761,264	154,761,264
Total available-for-sale financial assets		435,548,736	466,974,184	466,974,184

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

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

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

Year	Change in value increase / (decrease)	Total increase / (decrease) in value
2014	42,623,127	68,254,045
2013	26,891,618	25,630,918
2012	111,001,156	(1,260,700)

11 Financial assets (continued)

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

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

	31 December 2013			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	5,320,000	5,320,000	5,405,505	5,405,505
Financial assets held for trading – Investment funds		7,743,600	9,766,278	9,766,278
Available for sale financial assets – Investment funds		78,003,573	75,603,262	75,603,262
Available for sale financial assets – Equity shares		39,788,176	71,280,097	71,280,097
Total		130,855,349	162,055,142	162,055,142

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

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

	31 December 2013		
	Trading	Available-for-sale	Total
Balance at the beginning of the period	50,694,431	310,126,411	360,820,842
Unrealized exchange differences on financial assets	3,346,055	--	3,346,055
Acquisitions during the period	20,491,380	497,223,002	517,714,382
Disposals (sale and redemption)	(40,543,020)	(330,538,945)	(371,081,965)
Change in the fair value of financial assets	(3,714,931)	13,981,232	10,266,301
Change in amortized cost of the financial assets	--	(28,742,000)	(28,742,000)
Bonus shares acquired	--	4,924,484	4,924,484
Balance at the end of the period	30,273,915	466,974,184	497,248,099

12 Loans and receivables

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

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

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

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

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

Provisions for overdue receivables and receivables not due yet

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

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

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

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

13 Derivative financial assets

As at 31 December 2014 and 2013, the Company does not have derivative financial instruments.

14 Cash and cash equivalents

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

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

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

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

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
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	64,840,594	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	36,163,765	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı ^(*)	22,240,456	3.37	20,724,061	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	15,310,652	2.49
Other	7,122,753	1.08	6,637,111	1.08
Paid in capital	660,000,000	100.00	615,000,000	100.00

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

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

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

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

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

Legal reserves

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

The movements of legal reserves are as follows:

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

15 **Equity (continued)**

As at 31 December 2014 and 2013, “Other Reserves and Retained Earnings” includes only extraordinary 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	5,512,899	5,512,899
Amount for capital increase	(5,500,000)	--
Extraordinary reserves at the end of the period	12,899	5,512,899

Other capital reserves

As of 31 December 2014, in accordance with the revision of TAS TL (285,578) (31 December 2013: TL (265,270)) of actuarial gains and losses, which are presented in profit or loss is presented under “other capital reserves”.

Movement of other profit reserves is presented below:

	31 December 2014	31 December 2013
Other profit reserves at the beginning of the period	(265,270)	--
Actuarial gains/losses	(20,308)	(265,270)
Other profit reserves at the end of the period	(285,578)	(265,270)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2014, total amount of statutory reserves allocated as mentioned method is TL 39,500,000 (31 December 2013: TL 39,500,000). The registration of the increase has been completed as of 7 April 2014.

Foreign currency translation differences

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

Valuation of financial assets

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

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

16 **Other reserves and equity component of DPF**

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

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

17 Insurance contract liabilities and reinsurance assets

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

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

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

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

	31 December 2014		
	Gross	Ceded	Net
Reserve for unearned premiums			
Reserve for unearned premiums at the beginning of the period	356,231,478	(6,368,822)	349,862,656
Premiums written during the period	957,821,365	(134,715,463)	823,105,902
Premiums earned during the period	(947,055,013)	134,046,239	(813,008,774)
Reserve for unearned premiums at the end of the period	366,997,830	(7,038,046)	359,959,784
	31 December 2013		
	Gross	Ceded	Net
Reserve for unearned premiums			
Reserve for unearned premiums at the beginning of the period	393,337,225	(6,304,078)	387,033,147
Premiums written during the period	925,151,498	(126,125,413)	799,026,085
Premiums earned during the period	(962,257,245)	126,060,669	(836,196,576)
Reserve for unearned premiums at the end of the period	356,231,478	(6,368,822)	349,862,656

17 Insurance liabilities and reinsurance assets (continued)

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

Provision for outstanding claims	31 December 2013		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	649,962,970	(30,957,945)	619,005,025
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	660,356,162	(11,659,269)	648,696,893
Claims paid during the period	(618,929,540)	29,935,358	(588,994,182)
Provision for outstanding claims at the end of the period	691,389,592	(12,681,856)	678,707,736

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

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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

None.

17 Insurance liabilities and reinsurance assets (continued)

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

None.

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

None.

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

None.

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

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2014, short-term deferred expenses amounting to TL 92,115,629 (31 December 2013: TL 87,498,692) totally consist of deferred commission expenses.

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

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

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

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

As at 31 December 2014 and 2013, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income (Note 10) amounting to TL 445,382 (31 December 2013: TL 372,409).

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

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

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

Corporate tax liabilities and prepaid taxes are disclosed below:

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

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

None.

20 Financial liabilities

None (31 December 2013: None).

21 Deferred taxes

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

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

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

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

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

22 Retirement benefit obligations

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

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

Following annulment of the temporary Article 23 of the Banking Law, the new law “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official 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. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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

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

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

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

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

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

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

22 Retirement benefit obligations (continued)

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

23 Provision for other liabilities and charges

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

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

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

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

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

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

29 Insurance rights and claims

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

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

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

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

33 Employee benefit expenses

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

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

34 Financial costs

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

35 Income tax expense

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

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

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

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

36 Net foreign exchange gains

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

37 Earnings per share

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

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

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

38 Dividends per share

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

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

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

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

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

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

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

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

43 Commitments

In the normal course of its operations, the Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

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

TL commitments	31 December 2014	31 December 2013
Within one year	707,413	354,413
Between two to five years	1,473,777	--
More than 5 years	--	--
Total of minimum rent payments	2,181,190	354,413

44 Business combinations

None.

45 Related party transactions

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

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

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

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

45 Related party transactions (continued)

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

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

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

None.

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

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

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

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

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